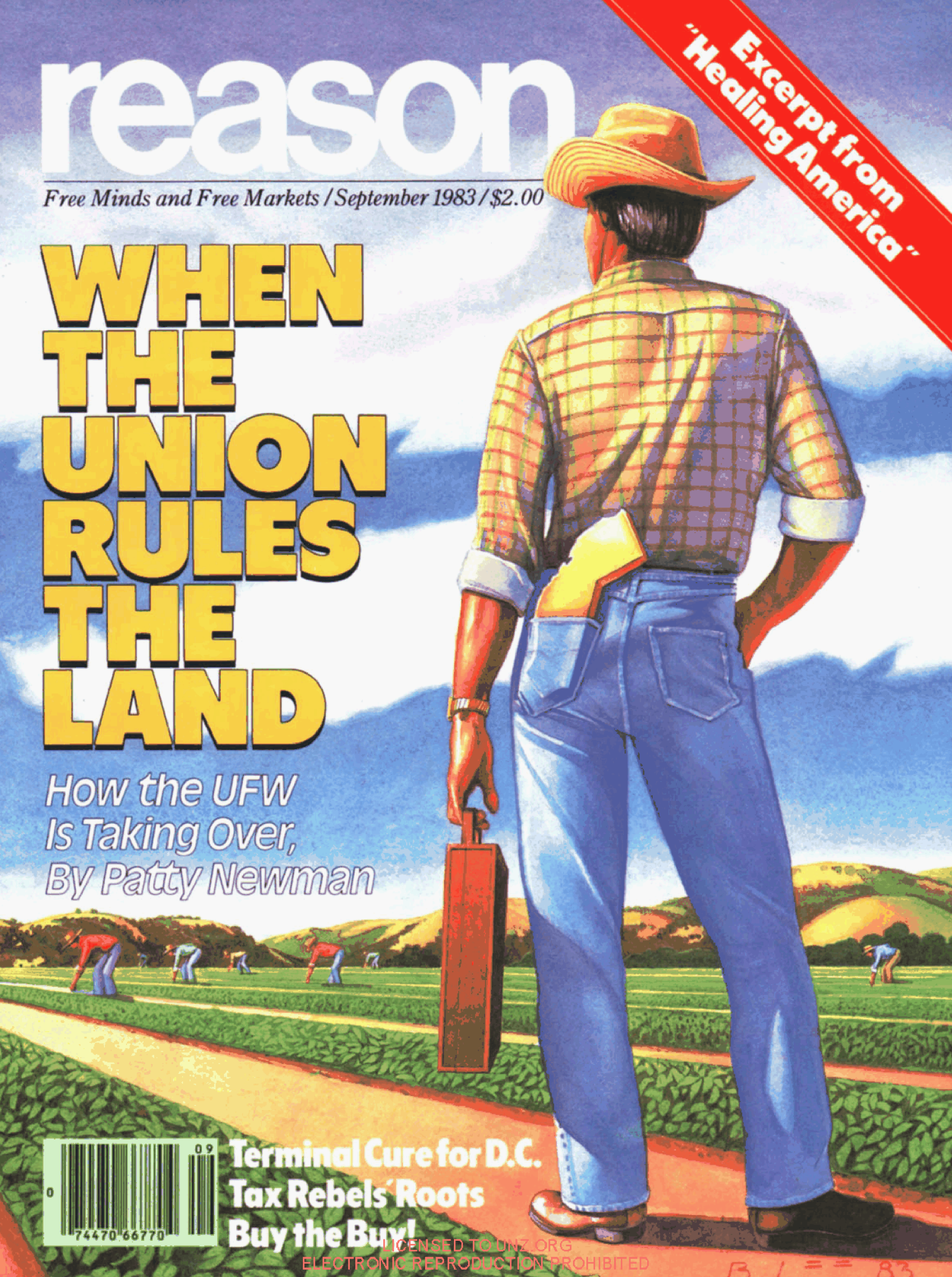
reason

Free Minds and Free Markets / September 1983 / $2.00

Excerpt from "Healing America"

WHEN THE UNION RULES THE LAND

How the UFW Is Taking Over, By Patty Newman



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The MFS-6300 mini-speakers are made exclusively for Microfidelity. Unlike similar speakers you may have seen, the *MFS-6300 speakers have a built in 3½ watt microchip amplifier in each speaker.* This extra boost in power combined with the "state-of-the-art" polymer-impregnated long fiber diaphragms produces a staggering amount of *true amplified stereo* sound from a remarkably small source. Small enough to fit in the palm of your hand, the MFS-6300 speakers give you high output, wide response and low distortion, all in a size that's truly hard to believe. They are made of heavy die cast aluminum so they're strong, durable and free from harmonic vibrations which are common in look alike plastic models. They plug into *any* personal stereo cassette or FM stereo player and are provided with an integral protection circuit as well as an additional non-amplified input so you can use them with your home system. Maximum power handling is 20 watts per channel through the non-amplified section.

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Speaker Impedence:	6 ohms
Maximum Input:	20 watts
Sound Pressure Level:	84 db/W/m
Dimensions:	3½"(H)x2¾"(W)x2¾"(D)
Weight per Speaker:	1½ lbs. (.675 kg.)
Power Requirements:	12 V DC with adaptor supplied

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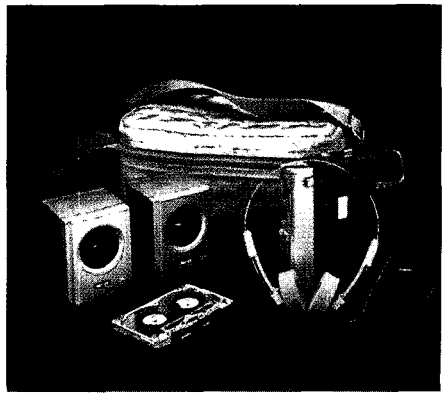
- **"Amazing reproduction for the size of speakers."**
- **"I think they are a really good product and I would recommend them to anyone. I love them!"**
- **"Outrageous! Excellent!"**
- **"Fabulous"**
- **"I expected a lot from reading the ad—I was not disappointed."**
- **"Excellent product. Very pleased."**



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FIFTEENTH ANNIVERSARY YEAR

SEPTEMBER 1983/VOL. 15, NO. 5

reason

Free Minds and Free Markets

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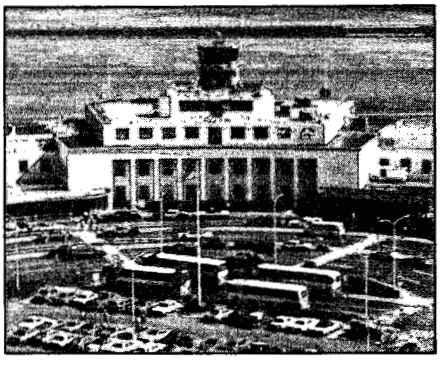

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NOTEs

The Reason Foundation, REASON's parent organization, has gotten some nice publicity in recent weeks. REASON's 15th anniversary banquet prompted economist Walter Williams (one of the keynote speakers) to devote a syndicated column to our efforts on behalf of freedom. "If you attended the banquet blindfolded," wrote Williams, "you well might have thought the evening's assortment of speakers were Thomas Paine, Patrick Henry, Thomas Jefferson, or George Mason." And on June 23, Congressman Ron Paul—our other keynote speaker—inserted a copy of Prof. Williams's column in the *Congressional Record*. Adding its congratulations on our anniversary was the flagship of the Freedom Newspapers chain, the *Register*, which featured an editorial, "Fifteen Years of Reason," on our event.

And two newsletters aimed at business leaders have recently highlighted the Foundation's work. In its May 23 edition, the Dean Witter Reynolds *Research* newsletter led off with a 4½-page condensation of my speech, "Rebuilding the Private Sector," which some of you may have read in its entirety in *Imprimis* last year. (Copies are available from the Reason Foundation for $1.00.) And the June issue of the Heritage Foundation's *Policy Digest* newsletter for executives featured a one-page write-up on our efforts at the Reason Foundation.

This kind of publicity all helps to build the Foundation's reputation and credibility. It's one of the reasons our budget for the first time passed the $1 million mark in the fiscal year ended June 30.

I'm pleased to announce two new features which are making their debut in REASON this month. First, we're expanding Trends with a new section called Global Trends (see page 16). We've always carried occasional reports on pro-freedom developments overseas, but from now on, our expanded network of foreign correspondents will be providing regular inputs from around the world.

The second addition is a new back-of-the-book feature—you'll find it at the very end of the issue (page 58). Called Further & More, it's designed to let you know what's become of interesting ideas and proposals covered in previous REASON issues. This month, for example, we follow up on an exciting proposal for partial deregulation of California's medical monopoly (shot down), on the effort to reform military testing (making real progress), and on further expansion of private airport control towers.

It's nice to see REASON contributors being published elsewhere. Long-time contributing editor Thomas Szasz was the subject of a thoughtful interview in *The Sciences* (July/August), adapted from a forthcoming book by interviewer Jonathan Miller. Dr. Szasz's most recent REASON article, on psychiatric wills (May), has been reprinted in condensed form as an op-ed piece by the Springfield (Ohio) *News-Sun*, among other papers. Contributing Editor Mark Frazier, with coauthor Dick Cowden, had an article in the May *Reader's Digest*—"Strong Medicine for Sick Cities: Cutting the Ties That Bind"—on urban enterprise zones. Our own Senior Editor Tibor Machan has had two recent op-ed pieces in the Orange County *Register*. Financial writer R. W. Bradford had recent articles in both *Barron's* and *Personal Finance*. And my own op-ed piece on bridge failures ran in the *New York Times* on July 9.

Two REASON contributors made TV appearances recently. Steve Hanke was on both the *Today* show and WOR-TV (syndicated on RKO cable), talking about privatization. And Dina Rasor, author of our much-publicized 1982 cover story on military weapons testing, was interviewed on the Bill Moyers *Our Times* program on July 19. Dina has put together an impressive anthology on weapons-procurement problems, *More Bucks, Less Bang: How the Pentagon Buys Ineffective Weapons*. Contributors include such people as our old friend Ernest Fitzgerald, Gregg Easterbrook, James Fallows, and other defense writers, and the book includes Dina's own "Fighting with Failures" from REASON.

The new name on our masthead this month belongs to John Northrup, who has joined the Reason Foundation as controller. John is a graduate of Princeton and a CPA. Besides having had a private accounting practice, he has taught accounting at Syracuse University. And last year he took time off to run for governor of New York State on the Libertarian Party ticket. John is the first of several additions we'll be making to strengthen the professional staff as the foundation moves into its second five years.

—R.P.

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It Will Show You How To Start Making Money Immediately!

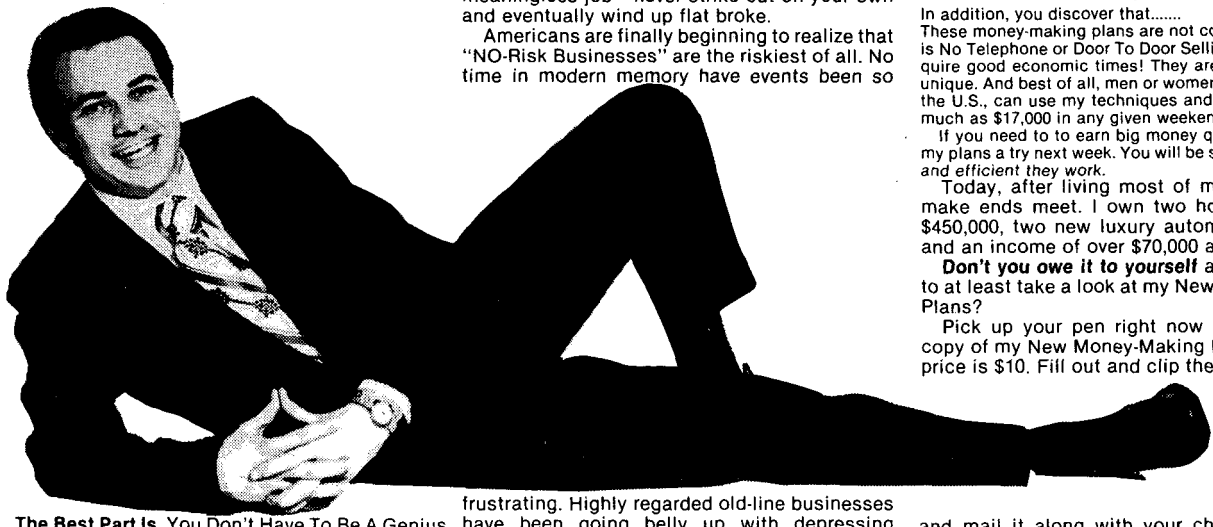
If you need to make $3,000 to $4,000 in short order, I will show you how to put into action a Money-Making Plan that has earned me $4,000 in one day.

If your needs are greater than that, I will show you how to run a weekend project that can make as much as $17,000 in three days.

Choose any one of my 10 different Money-Making plans and Bank as much as:

$4,000.....Any Tuesday Night
$17,000.....Any Weekend, or
$750,000.....In Any Ten Month Period.

In some cases you can make money the following night you receive it. You can start plan "three" on page 41 in the morning and have spendable cash (up to $4,000) in your hands that very evening.



The Best Part Is, You Don't Have To Be A Genius To Start One! And You Don't Have To Leave Your Present Employment, Most Can Be Started Right From Your Own Home!

One week from now my Money-Making Plans will be in your hands and you can start banking Big Money each and every week.

Money-Making Plans for the **NO—RISK** Prudent Individual, To The **DAZZLING—NO FEAR—** Entrepreneur.

I am NOT talking Mail-Order Envelope Stuffing or Home Party Plans. These plans are full-blown money-makers that will show you how to make big money. NO Telephone Selling! NO Door to Door Selling!

I am talking the potential to earn up to **$51,000** in the first thirty days — $102,000 In Sixty Days — $153,000 In Ninety Days.

Try One Of My Weekend or Overnight Money-Making Plans. I Guarantee You Won't Be Disappointed Or I Will Buy Them Back From You.

You may not know it yet, but you are a natural for my type of money-making projects, if you subscribe to or are just reading this publication for the first time, you probably will work out better using my money-making plans than the average American worker. Believe me, the Creative Thinker Types — like yourself always succeed faster. All you need is a specific Road-Map to follow and a little shove to get started.

But remember, before we go on .....

It's OK To Be Skeptical.

I realize you may skeptical at this point and you have a perfect right to be. I know in the past, I have purchased opportunity books and have found that while some have good ideas— and sincere workable plans, others are not worth the paper they are printed on.

I Don't Operate That Way!

I have spent over $14,000 in assuring that the content, research, and printing quality is the best money can buy.

In doing so, I have written out a course of instruction that will provide you with all the tools you'll need to implement each Money-Making plan, going so far as to hire a professional typesetter and artist to typeset the entire book and to insert over 35 photos and illustrations. Making doubly sure to provide you with the finest "Money-Making Instruction Book" on the market; close to 200 pages.

Let Me Further Assure You By Saying:

Your order receives "Immediate Attention" when it comes across my desk and is shipped out that very same day.

Money-Making Plans You Can Start The Moment My Instruction Manual Arrives.

On page seven I will give you the knowhow to start plan "two." Earn up to $70,000 in thirty days, buy yourself a new Mercedes, and have $30,000 left over!

The exclusive plan on page 127 will give you the inside secret used to bank $51,000 in three weekends.

I discovered years ago starting a venture and starting a profitable venture are two different principles at work. The problem in the U.S. today is the tendency to play it safe—get stuck in a meaningless job—never strike out on your own and eventually wind up flat broke.

Americans are finally beginning to realize that "NO-Risk Businesses" are the riskiest of all. No time in modern memory have events been so frustrating. Highly regarded old-line businesses have been going belly up with depressing regularity, millions of people are unemployed, and whole families are being forced out of their homes. Yet there are still so-called friends that will tell you—NOT to start a new venture—NOT to begin to carve out your own destiny. What is the meaning behind their madness?

Or, Most Importantly, what will they be earning next year or the year after? $100 a week?
Or $17,000 a week?
What will they be driving, an old chevy?
Or a new Cadillac?
What will they be living in, a rented house?
Or a $500,000 home with a swimming pool?
This is the age of:
Do It Yourself MONEY-MAKING.

Do It Yourself People Are Making A Killing!

Some people in the coming months will score Big. Others will still be following the same, out of work, drummer.

I am not saying this to brag, but I would like to make this special point. I have found an easy way to earn a large income, and I would like to share the secret with you.

Fourteen months ago I put one of my new money-making plans into operation, and so far have deposited $1 Million Dollars in my bank. *My business financial statement will verify this.*

Last month alone I deposited **$71,264.03** and I could have easily made $4,000 more if I hadn't taken a few days off.

Bank Deposits for the past 14 months:

October	$127,684.46
November	$102,128.80
December	$83,277.54
January	$50,566.70
February	$53,995.54
March	$69,004.26
April	$77,466.79
May	$57,248.61
June	$54,448.71
July	$69,583.56
August	$72,937.06
September	$90,187.80
October	$82,904.75
November	$71,264.03

Was it A miracle? Or A lucky break? Not at all! These money-making plans are making this kind of money consistently and often.

If you or your family require a large injection of cash! I will show you the ultimate plan for $20,000 — $30,000 — or even $100,000 that makes normal business practices a thing of the past.

While you're looking out after your family's day-to-day needs I will take you into the world of creative money-making. I will give you the know-how and knowledge to earn up to **$17,000 in one weekend.**

If you need a fast, efficient, way to make money immediately, I will show you how a man from the East Coast is consistently earning $2,400 to $4,000 dollars every Tuesday night.

Secrets ... Revealed For The First Time.

I have taken hundreds of secrets, and dozens of different money-making techniques and written them out in my course of instruction. They all are capable of producing large profits without overworking yourself along the way. At the very least, they can place you in a profitable new venture without any special training.

In addition, you discover that.....

These money-making plans are not complicated! There is No Telephone or Door To Door Selling! They don't require good economic times! They are all different and unique. And best of all, men or women, from any part of the U.S., can use my techniques and begin earning as much as $17,000 in any given weekend.

If you need to to earn big money quickly give one of my plans a try next week. You will be surprised how fast and efficient they work.

Today, after living most of my life trying to make ends meet. I own two homes valued at $450,000, two new luxury automobiles $45,000 and an income of over $70,000 a month.

Don't you owe it to yourself *and your family,* to at least take a look at my New Money-Making Plans?

Pick up your pen right now and order your copy of my New Money-Making Book. The Total price is $10. Fill out and clip the coupon below, and mail it along with your check or money-order for $10.

Postdate your check for 30 days, if you like.

I'll hold your check or money order for thirty days while you are looking over my Money-Making Book. If you decide not to keep it, mail the materials back and I will send your $10 dollars back to you, the same day, Uncashed, exactly the way I received it.

I'll even give you extra time, if you need it!

If you need more time to read, investigate, or put any of my plans into operation, or you have any additional questions, just call my office at 703-450-4374 and I'll hold your check for another 30 days, before cashing it.

Take a few minutes and think about what my money-making plans can do for you. Remember the amount of money I've told you I made with these plans is documented and can be backed up with bank records and financial statements from my Certified Public Accountants: *Hester, Roth & Callaway, Vienna, Virginia*

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Ok Dan. Ten Dollars is a small price to pay if I can make the big dollars you are talking about. Send me my copy of your money-making plans titled, *The Crandall Secret,* only with the understanding that you will not deposit my check or money-order for 30 days after your book is mailed to me. If I am not satisfied, for any reason, I simply return the materials and you will return my check or money order Uncashed. On that basis here is my ten dollars.

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Robert Poole, Jr.

Help That Hurts

It's a common failing to seek the easy way out, even at the price of dependence on others. All too often, we fail to add up the true cost of such dependence.

Take the case of nuclear power. Each time the Price-Anderson Act comes up for renewal, officials of electric utilities and insurance companies troop to Washington with dire claims that unless Congress continues to limit their liability for accidents, all nuclear power plants will be shut down. Congress always buys this plea for subsidy, disregarding its consequence: the reduction of insurers' and utilities' incentive to employ the very best safety and human-factors technology.

In foreign affairs a similar con-game is pulled off successfully year after year by our wealthy European and Japanese allies. "You must continue to spend $100 billion a year defending us," they wail. "Otherwise, the Soviets will take us over." And a bamboozled Congress goes along, even though 38 years have now elapsed since these countries were defenseless victims of World War II's destruction. As long as Congress continues the subsidy, our allies will be happy to accept it. Yet the longer they remain dependent, the harder it will be for them to build up their own defenses when our taxpayers finally call a halt to the subsidies.

The cause-and-effect relationship between US defense aid and the NATO countries' military weakness is increasingly being acknowledged. But the existence of such an effect—of help that hurts—is seldom appreciated in discussions of other regions of the world. Yet the Persian Gulf and Central America provide evidence of precisely the same phenomenon.

US military analysts conjure up a nightmare scenario of Soviet troops in Afghanistan sweeping across Iran in the aftermath of Ayatollah Khomeini's death and gaining control of the Strait of Hormuz—the channel through which all Persian Gulf tankers must pass. This threat is the principal reason for creation of the Rapid Deployment Force and both Carter's and Reagan's pledges to intervene.

But consider: Are US military analysts the only people who can see this threat? Would the Iranians, the Saudis, the Kuwaitis, and the Iraquis really acquiesce in Soviet control of the Persian Gulf? Of course not. So why aren't they, themselves, arming to the teeth to guard against such an event? With their oil money, they could certainly afford to.

The answer is quite simple. Like the nuclear industry and the NATO governments, why should they spend their own money when they can frighten their rich uncle into spending his instead? By maintaining a facade of independence—for example, by refusing to permit US bases on their territory and by taking occasional arms aid from the Soviets—the Persian Gulf states can obtain the best of both worlds: freedom from overt US control, but Uncle Sam's ultimate security guarantee.

The price of this guarantee is appalling dependence. To begin with, it is not at all certain that US taxpayers or members of Congress would permit this country to go to war over the Persian Gulf—especially when the odds would overwhelmingly favor the Soviets, unless US forces used nuclear weapons. But to the extent the guarantee is believed, it prevents the development of true defenses—such as building the Gulf Cooperation Council into a military alliance.

We can see the same thing happening in Central America. Despite its unpopular strategy of destroying the country's economic base, the Salvadoran guerrilla movement seems to be gaining ground. Why? The Salvadoran military lacks the morale and will to fight effectively. Hoover Institution researcher Robert Wesson points out that the more the United States tries to direct the conduct of the war, the more the Salvadorans will see themselves as pawns in a superpower battle and be disinclined to fight.

In sharp contrast, the Guatemalan antiguerrilla effort has largely succeeded—and without any US military aid. Under Gen. José Efrain Rios Montt, the military abandoned its earlier policy of wiping out suspected guerrilla sympathizers and embarked on its "roofs, tortillas, and work" campaign. By setting up local village militias and helping peasants rebuild their war-ravaged farms and villages, the army has undermined the guerrillas' support. El Salvador's military *could* have done the same. But with the crutch of substantial US aid, it has attempted a brute-force firepower approach that has so far been an abject failure.

Ironically, much US aid to Central America is positively harmful. There is no way members of Congress and the aid bureaucrats can know what is best for those countries. US attempts to force the breakup of large farms, to spell out specific human-rights policies, and to force negotiations with guerrillas have a devastating effect on the self-respect of Central Americans, coming as they do from a country with a long history of sending in the marines and backing dictators. And for the CIA to support a Nicaraguan opposition led by members of Somoza's hated national guard, while hindering the efforts of democratic guerrilla fighter Eden Pastora, sends precisely the wrong message about US ideals of freedom.

But if our government does nothing, won't Central America go Communist? Once again we must ask: Can we be the *only* people who perceive this threat? Despite their revolutionary rhetoric, the Mexicans don't want a revolutionary Soviet ally on their doorstep. Neither do democratic Costa Rica and Venezuela. Were Uncle Sam not throwing his weight around, the oil money of Mexico and Venezuela would probably be directed toward implementing last year's San Jose Declaration, which calls for removal of both Cuban and US troops from Central America.

Our government should not be attempting to pick winners and losers in Central America—or anywhere else. Nor should it be discouraging private citizens' aid to genuine freedom fighters like Eden Pastora. If it has any role to play at all, it is to prevent direct military threats to this country—like Soviet bases—from being established.

We've learned long ago that government has neither the moral right nor the knowledge to intervene in nations' economies. It has no business interfering in their internal political and military affairs either—and for the same reasons. The longer we attempt to "help" in this manner, the weaker will be the recipients of our aid.

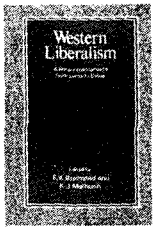
Robert Poole, Jr.

SIZZLING EXCERPTS FROM PAINE, LOCKE, SPENCER, ADAM SMITH, LORD ACTON, AND de TOCQUEVILLE

GIANTS WHO BLAZED THE TRAIL OF LIBERTY

WESTERN LIBERALISM:
A History in Documents
Edited by E.K. Bramsted and K.J. Melhuish
Reviewed by Roy A. Childs, Jr.

Western Liberalism is a history of the defense of liberty, and it has something for everyone: a lengthy introduction setting these classic thinkers and their ideas in the context of their times, as well as a selection of more than 120 excerpts from their greatest works. Major treatises, historic documents, passionate speeches and blazing pamphlets are all represented here in abundance, many translated for the first time. In more than 800 pages, there is a sweeping overview of the triumph and decline of classical liberalism.



And most of the excerpts sizzle. There are choice selections, most several pages long, from the best minds of the past. Here are Locke's and Voltaire's passionate defense of religious toleration; Adam Smith's eloquent defense of "the simple system of natural liberty; von Humboldt's moving portrayal of the free development of the unique individual personality; Tom Paine's pugnacious defense of the Rights of Man; Condorcet's visionary discourse on human progress; Ricardo's explanation of the law of comparative advantage; Bastiat's witty brief for free trade and competition; Benjamin Constant's inspiring plea to recognize the glory of individual liberty; Mme. de Stael's dramatic denunciation of the adversaries of freedom; Richard Cobden's blistering attack on protectionism; Bright's spirited championing of a non-interventionist foreign policy; John Stuart Mill's fervent defense of human diversity; Mazzini's argument that individual liberty is in fact the precondition of morality. Acton, Spencer and de Tocqueville are all here among the more than 70 people represented. So too are those who took liberalism down the wrong path: figures like T.H. Green, Leonard Hobhouse and John Maynard Keynes.

"This is a truly riveting collection, the best ever assembled in one volume."

But all of this only scratches the surface. *Western Liberalism* can be studied carefully, providing a broad overview of a vitally important aspect of intellectual history, from Locke to Hayek. But it can also be browsed through to gather up rhetorical gems —passionate phrases by the partisans of freedom. Two samples will show you what I mean.

> *Bentham:* "There are properly no other criminals than the heads of nations: the subjects are always honest."
>
> *Tom Paine:* "He who would make his own liberty secure, must guard even his enemy from oppression; for if he violates this duty, he establishes a precedent that will rech to himself."

The tendency to go on quoting is nearly irresistible.

Western Liberalism is a libertarian *Roots*, a guide to the best of our forebears, each one provided with a biographical sketch. Some are libertarian household names; others deserve to be. Giants who blazed the trail of liberty are here, as are those whose twisted version of liberalism led down the path to disaster.

This is a truly riveting collection, the best ever assembled in one volume. It is an exotic libertarian feast: you can nibble at will, or swallow it whole. In either case, it belongs on a shelf with the classics, to be taken down whenever you are hungry for a sense of passionate dedication to the cause of individual liberty, and everything that it makes possible in life. Here are the freedom fighters upon whose shoulders we all stand. *Western Liberalism* is both a challenge and a delight. Don't miss it.

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Roy A. Childs, Jr., a foreign policy analyst for the Cato Institute, has written extensively on classical liberalism.

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Letters

Financial Refresher

Your financial issue special (June) was great! This is my first year as a subscriber, so I had not seen one of your financial specials before. It is truly refreshing to see unbiased economic forecasting from respected people who understand economics. I hope to see your 11th annual financial edition next year.

Kurt Fuller
Howell, MI

Is PBS Fish or Fowl?

I was glad to see your mention of PBS's ventures into the world of commercials (Trends, June). Beyond the point that PBS can, in fact, pay its own way, however, it is important to note the contradiction and inequity inherent in this "experimental" advertising. Why, for example, should the tax dollars of one wine manufacturer go toward subsidizing an enterprise (PBS) which then facilitates the appearance of advertisements by a competitor? Either PBS is public or it is private. It cannot, under any logical or credible premise, be both.

Eleanore B. Goodman
Greenwich, CT

Reviewing Dangerously?

I hope that John Hospers's lukewarm review of the movie *The Year of Living Dangerously* (June) does not dissuade most of your readers from seeing the film. For one, the film does effectively capture the flavor of Asia. As another Filipino said when we left the theater after seeing the movie, "lasang patis!"—which means, it left in one's mouth the taste of the particularly Asian pungent fish sauce.

This is also one of the rare films that presents Asians not only as a backdrop to the antics of Americans or other white actors but actually gives two or three some flesh. There is a glimpse of the Asian as a real, thinking person, not the little sibling to be molded or rescued or foreign-aided to death.

The movie left me stimulated enough to try and look into the Indonesian situation on my own. I also feel that Weir tried to show Kwan's gradual disillusionment with the promise of government as savior and the supremacy of love and life over journalistic glory.

Christine Dorffi
Menlo Park, CA

Defense Contentions

Bob Poole chose a contentious issue on which to comment: the Mutual Assured Destruction strategy and its alternatives ("Countering the MADmen," June). Regrettably, Poole added nothing helpful to the arguments.

It is true that there have been "naysayers" who have been wrong about the possibilities of technical innovation. However, the ballistic missile defense problem has had sufficient study by large, well-funded organizations that the public need not rely on the understanding of any small group of "experts." The consensus of more informed opinion concerning BMD lies along the following lines:

- Perhaps some future weapons which we have not yet identified even in principle will provide an effective ballistic missile defense. Some of the weapons we know about can provide *parts* of the desired answers. But there are presently no promising technologies "on the shelf" which can make large-scale BMD both highly effective and affordable. Nor are there any "laboratory curiosities" which are clearly scale-able to the kinds of performance needed. The limited efforts of the High Frontier group were unfortunately flawed, resulting in an underestimation of costs by a factor of *at least* 10.
- Weapons may not be the key to affordable missile defense. The real cost of a system is probably concentrated in the delivery systems needed to bring weapons to engage their targets, in sensor and information systems needed to find and identify the targets, and in long-term operations, maintenance, and replacement....

We should, finally, examine Poole's claim that "...By choosing to spend so much defending others, we have been choosing not to defend ourselves." Such remarks might sell magazines, but they embody fatuous reasoning. The defense of Western interests is inextricably connected with the defense of American interests. We cannot defend our values and freedoms by ignoring those of societies naturally allied by philosophy and outlook to our own—*whether or not* we perceive that our burden is greater than theirs....

R. Arnten Lawhern
Springfield, VA

Mr. Poole replies: Technical opinion is divided on the extent to which existing

(Continued on p. 56)

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Largest Banks Already Insolvent

A December 1982 report by the House Banking Committee revealed that the 9 largest U.S. banks had outstanding Third World and Communist loans equal to 350% of their net worth. WHEN YOUR BANK FAILS shows that it is actually *your money* that has been shipped abroad. (p. 70)

Warning From Economist Alan Greenspan

"As we read the numbers, the chances of a dangerous breakdown are the greatest in a half-century." (p. 165)

Government Insurance Inadequate

The FDIC insures individual accounts up to $100,000. But for the $1.1 *trillion* insured, it has only $13 billion in assets—about one cent for each dollar. The FDIC can absorb small losses, but isn't ready for a real emergency. Dennis Turner advises you not to bet your life's savings on the assurances of the government: no matter how great its power, it can't squeeze blood from stones. (p. 21)

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- What disastrous actions the government may take. (p. 173)
- How to tell if your bank is safe. (p. 203)
- *The 24 safest banks in America* (including addresses and phone numbers). (p. 207)

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- How the government may confiscate part of your savings—and what you can do to reduce the risk of this happening. (p. 182)
- Why getting out of stocks and into the Swiss Franc could be dead wrong. (p. 193)
- What to do about money market funds, bonds, stocks and gold. (p. 191)

Is The Crisis Over? NO!

The international debt crisis is beginning to simmer again. A front page article in the June 8, 1983 *Wall Street Journal* entitled "The Second Wave: New Crisis Has Begun In International Debt" should have convinced you the crisis was not resolved, only postponed.

Are things getting better domestically? THEY AREN'T! Interest rates have declined, and the stock market has zoomed, but even the stock market advance is in part due to the problems in the banking industry. *Economic laws act slowly, but incessantly. The banking crisis is just beginning.* (p. 233)

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brickbats

The West Virginia Department of Motor Vehicles always gets its man—even if he's disabled and restricted to a motorized tricycle as his only means of getting around. The state bureaucrats told officials in Vienna, West Virginia, that Jack Myers must stop using the cycle because it doesn't meet state vehicle requirements. Police have told Myers, a 55-year-old veteran who has suffered three strokes, that he may be arrested if he insists on defying the law by scooting around town. But Myers is defiant. "I hate to depend on my neighbors. I just want the local news camera crews to be there when they arrest an old crippled man for this," he says.

The best high school in Albuquerque, New Mexico, was investigated by a young reporter sent by the Albuquerque *Tribune* as an undercover student. Her assignment: see what really goes on inside. Reporter Leslie Linthicum observed rampant drug use in the school and dozens of teachers who were little more than baby sitters and attendance takers. But her favorite course was a "lifestyle" class, where lessons included practice in shaking hands "firmly" and warnings that deserved job promotions would not be forthcoming if spouses displayed poor table manners. To repeat, this was Albuquerque's *best* public high school.

If three-year-old Raelynn McCarty needed a $50,000 operation to correct her hearing deficiency, Social Security would be happy to pay for it. But the daughter of an unemployed Montana man only needs a couple of hearing aids to solve her problem. The total cost would be $900. Yet state and federal officials say the child is ineligible for help becuse her problem can be corrected with a hearing aid. Terrific logic. Luckily for the child, the citizens of Great Falls, Montana, decided not to wait for the government to solve the problem. They *privately* chipped in and bought the hearing aids.

The military dog tag, for decades the metal identification necklace worn by soldiers in war and peace, may soon be another victim of the computer age. The Army's Soldiers Data Tag Task Force is working on an electronic dog tag that would carry a microchip with a record of a soldier's financial, medical, and personnel history. The plastic "tag" could be inserted into a microcomputer, triggering a readout of the soldier's record. And what if the soldier is captured by foreign enemy forces who don't happen to have a microcomputer with them in the field? Then, the American GI will presumably have to provide only his name, rank, and credit card number. Bad credit risks will be dealt with severely.

"BOY, IF YOU THINK THIS STUFF IS MEDIOCRE NOW, WAIT 'TIL THOSE GUYS GET THROUGH WITH IT!"

Hot off the presses comes this startling revelation from the Department of Health and Human Services: "Individuals in poor health are almost seven times as frequent users of physician services as those in excellent health." Yup, the government spent $180,000 to produce a 40-page report that says sick people see doctors more than healthy people. Brace yourselves for HHS's next two studies, which will no doubt seek to prove that very few lepers enter the Miss America Pageant and that dead people are more likely to be buried than live people.

Indonesia's resort island of Bali is getting tough with pets of foreign origin. In a display of xenophobia, authorities expelled 1,378 dogs of foreign breeding and killed 56 others that could not find asylum outside the resort island, a government spokesman said. Even if they were born on the island, authorities view German shepherds, pekingeses, dalmatians, and chows as foreign dogs. Guess you could say they've had a Bali-ful of foreign-bred pets.

Why can't these people mind their own damn business? The Group for the Advancement of Psychiatry (sounds suspicious already, doesn't it?) is recommending a tax on corporate television profits to finance research into ways of improving the quality of television programming. Naturally, the Group wouldn't mind if the networks asked it to study the tube's psychological effects on young children. For a slight fee, of course.

If a Florida congressman has his way, you will never again be offered a free drink or a cigarette on an airplane. The airlines sometimes provide such freebies to help one forget about long delays or lost luggage. But Democratic Rep. Charles Bennett is concerned that some weak-willed passengers who ought not to imbibe will be unable to resist the temptation when there is such a thing as a free drink. The danger that a recovering alcoholic might regress into a state of dependency because of a free-booze offer is enough to warrant government action, Bennett says.

—MARK EDWARD CRANE

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TRENDS

PRIVATIZATION'S STATE OF GRACE

In March of last year, President Reagan asked J. Peter Grace, the chairman of W. R. Grace & Co., to head up a group of business executives that would "pinpoint inefficient government programs" and recommend reforms. Grace recruited some 2,000 executives from industry, finance, and accounting for the President's Private Sector Survey on Cost Control, or "the Grace Commission." Armed with a presidential order that opens government-agency books to the commission, the small army of business people went at it.

In the last few months, various reports of the group's task forces—which range from agriculture to procurements to Social Security to defense—have been coming in. And some of their findings are very interesting.

A recently issued task force report on privatization of federal government functions, released in late June, is typical. It made recommendations that task force members said could "result in cost savings, revenue enhancements, and cost avoidances of approximately $28.3 billion over a three-year period."

What characteristics, according to the task force, make a government function ripe for privatization? The report suggested four: the service rendered was "not initially available in the private sector [but is now]"; the government "service operations are inefficient"; "managers have insufficient tools with which to manage"; and "the operations are appendages unrelated to the central function of government."

With these in mind, the task force suggested privatization in eight areas, including the government's electric-power marketing, NASA's future space shuttles and expendable launch vehicles, Veterans Administration hospital management and construction, Defense Department commissaries, National and Dulles airports in Washington (see page 32 in this issue), the federal vehicle fleet, Coast Guard rescue activities (see Trends, Aug., page 14), and the Social Security Administration's automatic data-processing operations.

Even though privatization in these areas would be an enormous reform, there are, as REASON readers are aware, many other prime candidates for privatization. The report admitted as much and noted that those others "were not reviewed in depth by our Task Force due to time constraints." However, it did list other privatization possibilities such as Postal Service functions, the air traffic control system, and the National Weather Service's forecasting and data collection and dissemination—all of these familiar to REASON readers.

It's too early to be sanguine about the recommendations of the Private Sector Survey on Cost Control actually being implemented. There is a rather dismal tradition—at least as old as the Truman administration—of presidents railing against government inefficiency and appointing blue-ribbon commissions to recommend reforms. Splendid and well-reasoned reports are submitted, a few cosmetic changes are made, but little of substance changes.

Will the privatization task force report—and reports of other Grace Commission task forces—be able to break that tradition? Possibly. In the areas it investigated, the privatization task force certainly came up with many good answers, and they deserve to be implemented.

REASON will keep you posted.

DRUG-WAR WATERLOO

When government bureaucrats of the law-and-order variety take a notion to prohibit peaceful, voluntary market activities, they often end up looking less like Jack Webb than like Harpo Marx.

Recent government interventions in the recreational-drug market are typical. To begin with, it's obvious that no one has any idea how much cocaine and marijuana is smuggled into the country, partly because smugglers normally don't send semiannual inventory reports to the Commerce Department. Yet that certainly doesn't stop high-minded conservatives and liberals from concocting drug-traffic estimates out of whole cloth.

The Reagan administration's Drug Enforcement Administration (DEA) has said that 11,000 to 13,000 tons of marijuana is smuggled into the country annually, and that the government is seizing "as much as 30 percent of the annual flow." But that's only the tip of the iceberg, according to Rep. Charles Rangel (D-N.Y.), chair of the House Narcotics Committee. According to the *Kansas City Star*, Rangel and his committee staff think there are 60,000 tons of marijuana being smuggled in—almost five times the administration's estimate. As for heroin, the DEA says 4 tons annually and Rangel says 10 tons.

Why the enormous disparity? Committee chief of staff Jack Cusack told REASON that estimates are based on the amount of drugs seized by government agents, plus the assumption that whenever the government tries to intercept contraband, it will net about 5 percent of the stuff. "Estimating the smuggling of illegal drugs isn't a science, it's an art," Cusack said. Less euphemistically, it's anybody's guess.

But that doesn't stop government types from doing something about it. In October 1982, a stern-faced President Reagan announced the creation of task forces to combat illegal drugs. But in June, an equally stern-faced Rep. Glenn English (D-Okla.) said, "I was concerned to learn that the task forces which were so urgently requested last year are only just coming into being. It... appears that most of the funds which were provided under emergency provisions to the Department of Justice are going to be forfeited at the close of the fiscal year because they weren't used."

And how about those happy occasions when the arbiters of virtue actually get their show on the road? According to a recent General Accounting Office study, federal government spending in the drug wars more than tripled between 1977 and 1982, from $83 million to $277.9 million, yet the GAO's best guess is that "drug availability, the primary target of interdiction, has not been seriously affected."

Meanwhile, at the retail level, the *New York Times* reports the emergence of some 800 "marijuana stores" in New York City—grocery stores, health-food shops, record stores, and tobacco shops that also sell marijuana. Shop owners circumvent the strictest features of state law by keeping less than eight ounces on hand, selling it in small quantities, and restocking their supply several times a day.

Also, even when judges can impose jail sentences in some marijuana-store cases, the sensible ones rarely do because they "know how overcrowded the jails are," says Julio Martinez of the Division of

Substance Abuse Services. "They have to worry about stick up men or arsonists and putting them in jail. So the smokeshop workers pay a fine, which they consider part of the cost of doing business, and are back at work almost immediately."

If the government's war on drugs has been a failure, the California state government's war on drug paraphernalia is a debacle. Since the much-touted ban on paraphernalia went into effect at the beginning of 1983, there have been 42 raids on "smoking accessory businesses." But California Progressive Businesses Association head Steve Hollowell told REASON that as of mid-June, the state has not won a single case. Prosecutors are losing because the courts consistently rule that an object can be considered illegal paraphernalia only when verbal or written instructions are provided by the seller at the time of purchase or when the devices are marketed as paraphernalia. None of the prosecutors' cases have met those criteria.

As the California NORML newsletter put it, "Bong Ban Bill Bombs." It's part of a larger pattern that says something.

HOUSTON VOTERS DERAIL BOONDOGGLE

By a margin of nearly 2 to 1, Harris County (Houston) residents in June rejected a $2.35-billion bond issue proposed by the area's Metropolitan Transit Authority, 80 percent of which would have been used to construct an 18.2-mile heavy-rail system. Though some MTA officials remain intent on building the system, the bond defeat deals a severe blow to the authority's plans. Not only does the vote put the prospect of local funding for rail in question; following the rejection, the federal government nixed a $110-million grant for the rail project.

Voters, it seems, were put off by both the enormous expense of the proposed system and the MTA's highly questionable master plan, including its ridership and cost estimates. For instance, the MTA's projection of future ridership was glaringly incredible—in an area whose population density of 3,000 per square mile is less than one-third that of Washington, D.C., the MTA estimated that by the year 2000, Houston's rail system would transport more passengers per mile of track than D.C.'s more extensive system does now. (In fact, the MTA estimated that by the turn of the century, the Houston system would carry more passengers per track-mile than does any system in the United States except New York's.)

As for construction costs, the MTA's own figures—$2.1 billion in capital costs and $1.5 billion in interest—work out to about $200 million per mile of track. (But the accuracy of those estimates is doubtful—D.C.'s rail system, for instance, ended up costing about four times more than was initially projected.) And that does not include multimillion-dollar annual operating costs, at least 50 percent of which would have to be subsidized.

In researching the heavy-rail plan, the MTA gave token consideration to alternatives, including a system of busways. But the MTA's hypothetical version was unnecessarily elaborate, calling for completely new six-lane busways at a cost of $92 million per mile, with projected operating costs higher than those estimated for the rail system. Realistically designed one- or two-lane busways, however, would cost from $3 million to $20 million per mile. And based on *actual* current costs of operating buses and subway cars—rather than theoretical costs—there is no difference between the two (both average 20 cents per passenger-mile).

Most transit experts agree that inflexible, heavy-rail systems only make sense in areas with highly dense populations. Houston is a sprawling city, where settlement is focused in the outlying suburbs and where the automobile is the overwhelmingly preferred mode of transport. The same is true of Los Angeles, but there, too, transit officials are pushing heavy rail. In fact, the House recently approved a $127.5-million federal grant to help L.A. build an 18.6-mile rail system. Yet L.A.'s proposed system would be a similarly massive boondoggle.

Writing in the *Wall Street Journal* in May, University of Southern California economist Peter Gordon noted: "Using [rail] proponents' numbers (and a 10% discount rate) gives us $3.10 as the cost of a one-way ride. Not cheap. Yet, converting their ridership estimates to a per-mile-of-route basis reveals that they believe that the L.A. subway would carry more people per mile per day than any U.S. subway, including New York's!" (Never mind that New York's population and density are several times that of L.A.'s.)

Gordon suggests that the removal of free and subsidized parking and the creation of more express lanes for high-occupancy vehicles would do more to improve transportation in the area than

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would a costly and inflexible rail system. But, of course, those are sensible and low-cost solutions—not likely to attract many politicians.

DENT IN RENT CONTROL

Rent control has been a firmly entrenched feature of many California urban areas for some time, so three bits of news indicating some relaxation of rent control's scope there are a pleasant surprise.

First, the Los Angeles County Board of Supervisors voted 3-to-2 in late May to phase out rent control for the 34,000 housing units in the county's unincorporated areas. The new law, sponsored by Supervisor Deane Dana, provides that whenever a tenant voluntarily moves out of a unit that is subject to rent control, it will automatically be decontrolled. This provision will be in effect until the end of 1984. After that, all remaining units still subject to rent controls will be decontrolled by the end of 1985.

Second, a bill introduced in the state legislature by Assemblyman Richard Alatorre (D-Los Angeles) would mandate such "vacancy decontrol" statewide. It would also require local governments to find "substantial evidence" that rent control is necessary before adopting rent controls, and it would exempt newly constructed units from any control. At this writing, it has not yet been assigned to a committee.

Finally, an especially ludicrous provision of the Santa Monica rent-control ordinance—one of the country's most restrictive—has been declared unconstitutional by a district court of appeal. Under the ordinance, apartment owner Jerome Nash was not entitled to a demolition permit for his apartment building, because low- and moderate-income persons occupied the premises and because Nash was deemed "able to make a fair return" on his investment. In other words, the city government was forbidding Nash to go out of business.

Presiding Justice Joan Dempsey Klein struck down that part of the ordinance. She wrote, "Like the right to enter an occupation the right to terminate a business involves a personal decision concerning the individual's role in the economy. Both protect the individual's ability to use his or her talents and resources in the manner best suited to bring life satisfaction and economic security." Klein's sane decision, along with the Los Angeles County Board of Supervisors vote and the introduction of the Alatorre bill, are encouraging.

WITHDRAWING BANKING LAWS?

The regulatory barriers to more efficient, innovative, and competitive operations within the financial-services industry have recently come under increasing fire. Assistant Attorney General William Baxter launched one major salvo when, testifying in June before the Senate Banking Committee, he attacked the McFadden Act and the Douglas Amendment. Baxter urged repeal of these laws, which prohibit banks from interstate branching and other interstate operations. Said Baxter: "There is simply no reason for . . . prohibiting efficient interstate competition in the financial services industry."

Baxter also attacked aspects of the Glass-Steagall Act, which prevents commercial banks from acting as investment brokers. "Economic and technological developments in recent years," argued Baxter, "have caused both banks and securities firms to offer financial services that may not fall clearly within traditional definitions of either commercial or investment banking."

Reinforcing Baxter's attack on Glass-Steagall was the Federal Deposit Insurance Corp.'s proposal, in May, to permit state-chartered banks under FDIC jurisdiction to underwrite corporate securities. The 1933 Glass-Steagall Act specifically prohibits nationally chartered banks from doing this.

Investment service, however, isn't the only nontraditional area into which commercial banks are now delving. Through the creative exploitation of a loophole in a 1982 federal law designed to restrict banks' insurance operations, several major banks are now gearing up to sell insurance. The law, passed last October, failed to include state-chartered subsidiaries under its purview. Then in March, South Dakota passed a law allowing outside banks to purchase or establish a state-chartered subsidiary—and South Dakota permits its chartered banks to sell insurance.

Shortly following passage of the South Dakota law, Citicorp, First Interstate Bancorp, and Security Pacific Bancorp

INTERNATIONAL TRADE: *FREE MARKETS OR PROTECTIONISM?*

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moved to either purchase or set up subsidiaries in the state, expressly to sell insurance. These large institutions believe that because of their high volume of customers and low start-up and overhead costs, they can offer competitive prices on a number of insurance products. Insurance companies fear the potential competition—and with good reason, for the limited bank involvement with insurance shows a good track record. For example, mutual savings banks in Massachusetts, Connecticut, and New York—which have been selling insurance for some time now—offer life insurance policies at 20 percent below the prices of major competitors.

Consumers could soon be laughing all the way to the bank.

STRONG SIGNALS FOR TV COMPETITION

Two recent decisions by the Federal Communications Commission should do much to increase competition in the television industry. In May, the FCC voted to raise from one to five the number of channels a single "multipoint distribution service" (MDS) company may operate in an area. This opens the way for MDS operators throughout the country to offer multichannel, broadcast pay-TV services in competition with other TV services. MDS operators use microwaves to send TV signals to transmitters, which in turn relay the signals to houses and apartment buildings. Such transmissions range from 15 to 40 miles.

Previously, the FCC had limited MDS operators to the use of only one microwave channel in an area, and only two MDS operators were permitted in an area. Of the 28 channels in this group of air waves, the FCC had traditionally reserved most for teaching instruction by universities, schools, and churches. The new ruling now allows new MDS operators the use of a total of four channels, while established operators may add four more for a total of five. Moreover, as many as eight channels in an area may now be devoted to MDS.

Though in many big cities all 28 channels are already taken, unused channels are available in many other parts of the nation. Overall, there are now about 1 million MDS customers, compared to about 35 million cable customers nationwide. But with the new ruling, MDS business may grow quickly.

Then, in June, another FCC decision paved the way for an early form of direct broadcast satellite (DBS) service. The commission voted to let stand an earlier authorization of United Satellite Communications's plans to start a "quasi-DBS service" this fall, using a conventional satellite (rather than a more-powerful direct broadcast satellite). The satellite will beam signals to subscribers, whose homes must each be outfitted with a four-foot dish, rather than the smaller (two-foot) dish that full-power DBS service requires. Also planning to offer quasi-DBS service this fall is Inter-American Satellite Television, which is backed by Australian publishing magnate Rupert Murdoch.

Eight firms had previously received FCC permission to construct and launch special direct broadcast satellites. The first true DBS service was scheduled for 1986. But United Satellite and Inter-American are gambling that early availability of quasi-DBS service, which requires customers to have the larger dish, will attract subscribers.

The scramble to offer early direct satellite-to-home service has spurred at least one of the firms that had been planning 1986 service of full-power DBS—Satellite Television Corp., a Comsat subsidiary—to get into the game before it had expected. In the fall of 1984, two years ahead of schedule, Satellite Television will launch a five-channel service to 5 million homes in the northeastern United States. The firm will lease space on a conventional satellite, modified so that subscribers may use a smaller receiving dish than those now required for quasi-DBS service.

This alphabet soup of new services—MDS and DBS—promises to add an interesting dimension to the TV industry, which is now dominated by the big three networks and fast-growing cable.

AIRLINE DECONTROL CRUISING STEADY

Since the airlines were deregulated in 1978, we've reported in this column many of the resulting changes within the industry: the creation of new carriers, increased price competition, various service modifications, and so on. And as the new market for airline services continues to evolve, there are several more recent developments to report.

One major change has been the

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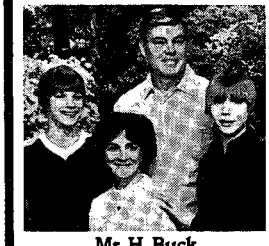

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phenomenal growth of commuter and regional airlines, which provide short-distance service to smaller communities. Deregulation opponents had feared that airlines would cut back or cut out service to these communities to concentrate on the more profitable big-city routes. But as large airlines have cut back, smaller ones have moved in to fill the gaps. The Regional Airline Association reports that since the deregulation, commuter and regional carriers have increased their fleets by 50 percent and their flight hours by 91 percent. Their total revenue passenger miles flown during that time have increased a whopping 145 percent. These smaller airlines are expanding operations to nearly 70 communities from which the major airlines dropped service following deregulation. And the RAA projects that regional and commuter carriers' 1983 passenger load will be more than 13 percent higher than in 1982.

Because of the concern over service to smaller communities, however, the 1978 Airline Deregulation Act guaranteed subsidized "essential air service" to 85 communities for 10 years, so that the communities' air-services markets might develop. But a recent General Accounting Office study reports that since deregulation, the number of passengers using this service has declined 50 percent. The GAO recommends early termination of subsidies to small communities where demand is not sufficient to support unsubsidized air service by the 1988 cut-off mark. Of the 14 towns the GAO investigated directly, it found that in 10 of them, demand for subsidized air service was low because passengers were traveling to bigger airports nearby to take advantage of larger carriers' better service, more convenient scheduling, and lower fares.

Indeed, lower fares have been a hallmark of deregulation. Air Transport Association President Paul Ignatius recently testified in favor of continued deregulation at congressional hearings, pointing out that since 1978, airline fare increases have been significantly lower than rises in the consumer price index. Moreover, Ignatius noted, while 49 percent of all coach travel in 1978 was on discount fares, that figure was 80 percent for 1982. And while the average fare discount in 1978 was 34 percent, the 1982 average was 45 percent. In addition, said Ignatius, the number of domestic flights has increased 4 percent since 1978, even through a recession complicated by soaring fuel costs and the 1981 air traffic controllers strike.

Reinforcing Ignatius's favor of deregulation, Civil Aeronautics Board Chairman Dan McKinnon testified that deregulation had indeed produced "a more efficient and responsive industry." The hearings were initiated by several legislators—including Rep. Norman Mineta (D-Calif.)—who are considering reregulation of the airlines. Clearly the airlines themselves, as well as administration officials, are against reregulation. And, of course, the above evidence of deregulation's effects speaks for itself.

GLOBAL TRENDS

UK ELECTIONS MAKE MARKET LOOK OKAY

GREAT BRITAIN—Not long after Margaret Thatcher's landslide reelection victory in Great Britain, commentators began to ask what her victory might mean for government policy there. There are several reasons for free-market advocates to be optimistic.

One is the Adam Smith Institute, a free-market think tank that has great influence on the Conservative Party. When it published a series of position papers called the "Omega Project" shortly before the election, observers considered it a harbinger of what would be in store in a second Thatcher government.

Among the institute's recommendations were:

—ending the Post Office monopoly on letter delivery;

—privatizing parts of the British Broadcasting Corporation;

—providing tax rebates for parents of private-school students and beginning an education-voucher program;

—exempting small firms from employment-protection legislation and abolishing minimum-wage legislation; and,

—allowing a 50 percent tax rebate for private health costs up to a given limit and reducing the National Health Service budget by 50 percent of the amount returned in tax rebates.

The *Wall Street Journal* reports that Thatcher herself has been rather coy about the Omega Project recommendations, but she has said, "It would be a pretty poor government that stopped a think tank [from] thinking and was unwilling to look at any new ideas."

However, her government is not at all coy about continuing its efforts to privatize large sectors of the economy that had been nationalized by previous governments. The *Economist* has pointed out that privatization is occurring on several fronts.

Rolls-Royce (the jet-engine producer, not the auto company) hired a new chairman with a contract that tells him to prepare for privatization. For British Leyland, privatization of mainstream divisions is "in the cards," with Unipart components, then Jaguar and Land Rover, moving to the free market. British Shipbuilders is selling off warship yards and getting out of ship repairing, and British Telecom privatization is "proceeding full steam ahead" with plans being drawn up to sell shares to telephone subscribers.

Privatization is not without problems. For some industries, says the *Economist*, the government's plans have "been blown to pieces by recession and old-fashioned rigidities in old-fashioned industries," notably coal, steel, and the railways. But Thatcher had had her successes, not least of which is making radical free-market reforms politically respectable.

Shortly after her election, the *Economist*—the doyen of the British establishment—urged her in an editorial to "allow competition with everything in Britain's public sector." It continued, "Her second term should be one of

(Continued on p. 18)

LEGAL ADS PAY OFF FOR CONSUMERS

It was about six years ago that the Supreme Court's *Goldfarb* decision opened the way for lawyers to advertise. The legal industry hasn't been quite the same

since. It continues to enjoy many of the protections afforded a government-supported monopoly, but the prohibition on advertising was one of the mainstays of the system, and it is irretrievably lost. As a result, the marketplace for legal services is far freer than before, and there are parts of the country where ads for legal firms have become no more unusual than ads for auto mufflers and sinus medicines.

Many lawyers are clearly nostalgic for the old immunity from serious competition, but other lawyers have seized on the Supreme Court decision as a new opportunity. Take, for example, Cleveland attorney Joel Hyatt. Soon after the *Goldfarb* decision, Hyatt left his lucrative practice with a corporate law firm in New York and returned to his home in Cleveland, where he started his first legal clinic. At low cost, the clinic provided legal assistance on matters ranging from wills and divorces to personal bankruptcy and traffic offenses.

Besides being a lawyer, Hyatt is clearly an entrepreneur also. At the age of 32, he has built Hyatt Legal Services to a point where it is, according to the *New York Times*, "the leader in its field." As of early May, it employed 250 lawyers in 117 offices in 17 states and the District of Columbia. (Its closest competitor, Jacoby & Meyers, has only 65 offices in New York and California.)

Not coincidentally, Hyatt spent nearly $2.3 million last year on television commercials alone. "Most Americans don't have a lawyer, and they don't know how to find one," he says. "Using television advertising, I have developed a way to give these people access to legal services."

According to the *Times*, the ads all have the same basic pitch: "There is a lawyer at Hyatt Legal Services who handles a variety of legal problems, and it only costs $15—$20 in Milwaukee—for an initial consultation." Just as the fees are exceptionally low, the salaries for Hyatt's attorneys are also low—starting lawyers get $17,000, while Wall Street firms pay as much as $50,000 in starting salaries.

With energetic and aggressive Hyatt types nibbling at the edges of the legal industry, *Business Week* reports that even the most conservative corporate law firms that would never have considered advertising in the past "can no longer ignore the new reality." Few have sunk so low as TV ad campaigns (a Minnesota firm that sponsors the *Nightly Business Report* on the local PBS station is still an exception), but a surprising number have hired marketing consultants and public relations firms to build their images, ghost write bylined articles for trade journals and editorial pages, and promote their victories in court.

The consequences of all this are entirely natural. While advertising has been disorienting for the pillars of the industry, clients have more and better information for deciding which lawyer to choose and often—as Hyatt has shown most dramatically—can choose lower prices as well.

So what will be next? Special Labor Day bargains on wills and parking tickets? Two-for-one sales on personal bankruptcies? Who knows? The marketplace has its ways.

LOW-COST SATELLITE FLIES HIGH

When the shuttle *Challenger* went on its June mission this year, it took with it an experimental reusable satellite known as SPAS (for shuttle-pallet satellite). The shuttle crew tested SPAS's viability as a retrievable platform for scientific and

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technological work in space—and the device passed. What is remarkable about SPAS, the product of the West German firm Messerschmidt-Broelkow-Blohm, is its cost—the satellite was developed and produced at a total cost of $10 million, perhaps one-sixth the cost of a conventionally produced comparable satellite.

In contrast to the American (subsidized) space program's gold-plated approach to building spacecraft—using high-cost, custom-designed components at every turn—SPAS's German manufacturers relied heavily on low-cost materials readily available off the shelf. The satellite's frame, for example, is constructed of a carbon-fiber tubing developed originally for use in windsurfer masts. And rather than equip SPAS with specially designed lights—at a cost of $50,000 to $100,000 each—the innovative German firm used $10 helicopter lights. SPAS's fuel tanks are modified scuba-diving tanks, which ended up costing a modest $1,000 each.

During SPAS's space test, in which the satellite was expelled from the shuttle and later retrieved, the device ably performed a number of functions with little mishap. Though the satellite's data-collection system overheated, causing the cancellation of a few experiments, none of SPAS's bargain-basement components was responsible for the malfunction.

GLOBAL TRENDS

(Continued from p. 16)

radical deregulation of big chunks of British business, public and private, such as internal airline routes, telecoms, television, drink licensing laws and Sunday shopping."

There's no question about it. With Thatcher's reelection, free enterprise is now very much a presence in British politics.

MONOPOLY GAME GROUNDED DOWN UNDER

AUSTRALIA—Australia's government-sponsored domestic airline duopoly has recently come unstuck. The reason is competition. For more than 30 years, Australia's commercial aviation has been dominated by a cozy relationship, known as the Two Airline Agreement, among the national airline, Trans-Australia Airlines (TAA); a private operator, Ansett; and the federal government. The arrangement effectively grants TAA and Ansett sole access to the trunk routes by restricting the importation into Australia of large aircraft. In the face of a continuing slump in domestic air travel, the two airlines have been steadily increasing the fares on the profitable routes between the state capitals.

But things are changing because of a small branch-route operator called East-West Airlines. Earlier this year, East-West, using small Fokker Friendships, began offering one-stop service between Australia's two largest cities, Sydney and Melbourne, for less than half the price of the big two. It wasn't long before East-West ran into difficulties with the Independent Air Fares Committee, set up by the previous, and so-called pro-free-enterprise, Liberal Government to ensure that airlines do not harm themselves financially by competing for passengers. The IAFC began imposing heavy bureaucratic demands on East-West in early May, threatening not to extend the airline's landing rights at Melbourne Airport.

East-West, which was already offering half-price services to two other state capitals, successfully applied to the Australian High Court for a temporary injunction preventing the federal government from closing the airport to its planes and immediately began a court action under a provision of the Australian Constitution, which protects free trade between states. There is little doubt, on the basis of past decisions of the High Court, that East-West will succeed in its attempt to establish its right to offer the cheap air service.

Indeed, even before the litigation had formally begun, it was having an effect. The IAFC softened its demands and extended its approval of the cheap Sydney-Melbourne service to June 1984. Also, TAA and Ansett have introduced a 45 percent discount for advance-purchase fares on the major routes. Budget Transport, a rental-car operator owned by the son of Ansett's founder, has announced its intention to operate cut-rate air services if East-West's action succeeds. (It is so confident of East-West's victory that it has taken over a small New South Wales airline even before the decision is announced.)

Given the new Labor Government's discontent with escalating air fares—which it sees as hitting the lower-middle-class passenger—and its reluctance to repeat its recent $90-million bail-out of TAA, Australians are now facing the possibility of airline deregulation under Labor, a move the Liberal Government had always refused to make.

—GARY STURGESS

MILESTONES

• *No go on commuter tax.* Citing the "constitutionally protected right to pursue an occupation outside" one's home state, New Jersey's Supreme Court knocked down a special tax on the 100,000 New York residents who work in New Jersey. The tax was passed in 1961, ostensibly to compensate for the New Yorkers' use of the state's transit facilities. Commuters will still have to pay New Jersey income tax, however.

• *Freeing pay phones.* The Federal Communications Commission and several state regulatory agencies are considering whether competition should be introduced in pay phones. The FCC is expected to rule on the issue next year, but some small companies are already selling pay phones.

• *Show of interest.* The Depository Institutions Deregulation Committee has voted to do away with the interest-rate ceilings on nearly all savings accounts except passbook accounts. The decision takes effect October 1.

• *Contraceptives ads now legit.* In a unanimous ruling, the Supreme Court in June declared unconstitutional a 1970 federal law banning the unsolicited advertising of contraceptives through the US mails. The law, whose origins were in the 1873 Comstock Act (which prohibited all contraceptives advertising), was revised in 1970 to ban only unsolicited ads.

• *Disaster insurance.* Nine states have approved the sale of an insurance policy that protects against financial loss stemming from an IRS audit. If worse comes to worst, the insurer, Central National Insurance, pays any additional taxes assessed up to $100,000.

—ROBERT POOLE, JR.,
PAUL GORDON,
AND ERIC MARTI

HARVEST of POWER

In 1975, Cesar Chavez and his United Farm Workers union pushed through an unprecedented labor law in California. Now they are reaping the rewards in oppressive control over farming and farm workers.

BY PATTY NEWMAN

It was mid-morning on October 1, 1981, and Peter Solomon, a young California farmer, had 24 hours to decide what to do. Over half of the 40-odd workers at his small cattle and feedlot ranch in southern California had walked off the job, irate that an election they'd held to oust the United Farm Workers union had been blocked by state labor officials.

Solomon worked out a 24-hour deal with the workers to continue vital jobs like feeding the cattle while he considered their demand: rip up the union contract, or lose most of his work force to an all-out strike. "I don't really want to violate the law," he told the workers picketing the entrance to his Cattle Valley Farms, "and the law says I've got to continue honoring the contract." But when Solomon emerged from a meeting with his workers the next morning, he announced that he would side with them in ending recognition of the United Farm Workers as their bargaining agent. The union immediately demanded that Solomon fire the workers it supposedly represented—a demand that he ignored.

Nearly two years and half a million dollars in legal fees later, Peter Solomon is still fighting numerous charges of "unfair labor practices." Should he lose, he will have to pay hundreds of thousands in "make-whole," and his workers' election to throw out their union will be declared null and void.

Something is wrong in the state of California. Eight years ago, Gov. Jerry Brown signed into law a unique piece of legislation intended to protect the rights of the state's farm laborers and "to bring certainty and a sense of fair play" to farming operations. Instead, the Agricultural Labor Relations Act of 1975 has embittered farmers and farm workers alike as they have seen their rights ignored and eroded in the name of this controversial farm-labor law.

Why has this law changed the face of agriculture and the fate of farm workers in the country's leading food-producing state? Under every other piece of labor-relations legislation in the country, the role of the law is to remain neutral between competing interests, protecting the rights of both employees and employers. But California's Agricultural Labor Relations Act (ALRA) was undeniably tailor-made for a specific union—Cesar Chavez's United Farm Workers. And the evidence is mounting that the state agency set up to administer the law has repeatedly used its power to promote that union—often at the expense of farm workers.

The law itself, in the words of several economists who have studied it, gives to farm labor unions "privileges that the most dictatorial government could only hope for." Add all this up, and the result is that the United Farm Workers union has been able to gain unprecedented, inordinate control over its members and over the business decisions of farmers.

These are serious charges about an organization and a law that have the proclaimed goals of bringing dignity and justice to farm workers and peace to labor relations. Many farm

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owners and growers' associations have been claiming bias in the law, unfair administration, and unjust control by the UFW ever since the ALRA was passed. I have spent some time investigating these issues, and I have found substantial indirect and direct evidence for the charges, evidence that can be evaluated independently of any growers' interests.

When the National Labor Relations Act was passed at the federal level in 1935, it excluded farm labor. California's ALRA specifies the right of farm employees to unionize and bargain collectively and prohibits "unfair labor practices" on the part of employers and unions. The law is administered by the Agricultural Labor Relations Board (ALRB). ALRB agents at regional offices conduct union representation elections, investigate and rule on unfair labor practice (ULP) charges, and order remedies when the charges are upheld. Decisions may be appealed to the Board of the ALRB, whose five members are appointed by the governor with the advice and consent of the state senate.

Has the ALRB, in implementing the ALRA, been biased in favor of the United Farm Workers (UFW) instead of acting as a neutral arbiter? Many people are suspicious of charges of bias when leveled by farmers or competing unions. But when disgruntled UFW members claim bias, the matter must be taken seriously.

When Peter Solomon's workers went out on strike in October 1981 to force the issue of their union representation, one of the workers' picket signs declared:

UFW = ALRB
ALRB = UFW.

And workers in other cases have told me that their attempts to vote out the UFW have been frustrated at every turn by the ALRB—and by law, only ALRB-conducted and -certified elections are valid.

Transcripts I have obtained of recent sworn testimony by former ALRB agents lend credence to the suspicion that the law is not being administered impartially. In a pretrial deposition in a federal court case, one former agent explained that at several regional offices

it was customary . . . for the UFW to be there using typewriters, using phones, just being part and parcel . . . . I mean they were there all the time and they would review the files with the [ALRB] examiners and people and, you know, say, "Well, you should go there now, or you should do that." . . . It was almost as if it was their office.

Another former agent, when asked about the type of people hired to work for the ALRB, replied:

Basically there were a lot of people who were socially active, people who had been prior UFW members, who were UFW people . . . . You were rewarded for furthering the UFW cause.

And when asked whether a particular ALRB agent had shown bias in favor of the UFW, this person testified that bias was shown by the agent's

attitude, the way he answered the phones in the regional office . . . with UFW slogans.

It appears that this involvement of the UFW has influenced the administration of the law from beginning to end. For example, in order for a union to organize the workers at a given farm, the proper procedure is to file a notice of intent to organize with the local ALRB office. This notice is to be accompanied by authorization cards signed and dated by at least 10 percent of the workers then employed at that farm.

But information pieced together from my own interviews with workers is consistent with testimony by one of the former agents that the UFW would simply hand in a large number of authorization cards to be used whenever the union files a notice of intent to organize:

I noticed there was a big tub with literally hundreds of authorization cards by the United Farm Workers Union, and I kind of thought that was something very unique . . . .
Q: . . . What was unique about that?
A: Well, the proper procedure [etc.]. And this wasn't happening.
Q: What did you observe happening?
A: That the UFW would just go in and file these certification petitions on the basis of this bank of cards that were banked with the ALRB.

When this agent raised the issue with his supervisor at the regional ALRB office, he said he was told "that it was a totally legitimate process and I should keep my mouth shut." He then approached the ALRB's general counsel about the matter.

Q: What did he say?
A: Number one, that it wasn't any of my business and I shouldn't be taking a position like that and as far as he was concerned, that the burden placed upon the employers was inconsequential in relation to the advantages that the workers in the union could gain.

Another agent revealed an ALRB practice with respect to the lists of all employees' names, addresses, and phone numbers, which are to be supplied by employers once a union has filed a notice of intent to organize. According to the agent, some employers were objecting to giving the information as an invasion of employees' privacy. (And in fact, some workers have resisted this requirement, fearing union harassment.) So the ALRB would conduct what this agent called "guerrilla raids" at harvest time to compile the lists by talking to each employee individually.

. . . when you went out there and talked to these people then you would take each person one at a time and sit them down and ask them, "What's your name, what's your address," and explain to them what the list is for. It's kind of understood that you just want to take up as much time as possible at each ranch.

Again, the question of propriety was raised, but the agent recalled in his testimony that an ALRB official responded:

"Well, the important thing is to get the lists . . . and then if we are found out later, you've got some state immunity and we have accomplished the task."

This ALRB agent also testified that the raids were coordinated with the UFW so that "union representatives were always there when we went out to the field," and that the UFW told ALRB agents they would all be fired if the raids weren't conducted. When questioned, the agent confirmed:

Well, that pressure was kind of always there. I mean, it became more evident at other times and in this case, yeah—if we didn't get the lists pretty soon, you know . . . .

The UFW files charges of unfair labor practices (ULPs) against growers the way some people eat popcorn. Once a ULP charge is filed, the next step is for ALRB agents to make an investigation, resulting either in dismissal of the charge or in the issuance of a complaint that eventually goes to an ALRB hearing. The impartiality of the procedure may be gleaned from the following sorts of sworn testimony from former ALRB agents:

. . . the regional director there . . . wouldn't let me go to do investigations unless I was accompanied by a UFW agent. On numerous times, he ordered me to take a UFW agent.
Q: And do you believe or is it your conclusion that is not appropriate?
A: Yeah, I believe it's inappropriate. I think I should be able to make a neutral investigation and make a representation on my own observations while being a field examiner.
Q: Did you discuss this with [the regional director]?

Secondary Boycott: Primary Strategy

"We cannot continue to battle our opponents in the 1980's with the strategies and technologies of the 1930's...or even the 1960's. The advent of computers and the development of sophisticated graphic messages...have revolutionized the advertising and political worlds. While we will not abandon our time-honored tactics of picketing and leafletting, we must also incorporate the new technologies in our boycott campaigns." Thus have Cesar Chavez and the United Farm Workers moved from their '60s and '70s boycott of grapes and lettuce, and later of Chiquita bananas, to an all-out attack on a chain of retail stores.

For four years the UFW has been urging consumers nationwide to boycott Red Coach lettuce, produced by Bruce Church, Inc., because the company will not accede to union demands in contract negotiations. (Bruce Church had been one of the few growers in California to negotiate a UFW contract without a good-standing clause, which gives the union the power to have workers fired virtually at will. But since 1979, new-contract negotiations have been stalled on this and many similar issues of union control, not on the level of wages or benefits.)

As part of its boycott, the UFW has been trying since 1979 to get Lucky Stores, a nationwide retailing firm with grocery stores in California, to stop carrying Red Coach lettuce. The firm has refused, citing the conviction that "it is totally improper for Lucky to take sides in a labor dispute which does not involve our own employees." Vowing to maintain "strict neutrality," Lucky has continued to stock Red Coach along with other brands of lettuce.

On June 30, 1983, Cesar Chavez publicly announced a million-dollar media and direct-mail campaign against Lucky Stores. A May 27 memo from Chavez to the UFW's executive board detailed the union's strategy of the '80s: Using census data and precinct maps, the union zeroed in on neighborhoods with a high proportion of Hispanic residents, pro-farmworker voters, and non-citizens. If there was a Lucky store in the area, the store and its competitors were visited to determine whether, based on such factors as prices and quality and parking, shoppers would be likely to turn to the competition. If so, the neighborhood was targeted for a mailing urging consumers not to shop at Lucky.

Eventually, noted the memo, "this campaign to 33 of Lucky's most vulnerable markets" (it began on May 19) will be expanded "with additional mailers aimed at non-Hispanic consumers (white liberals, blacks, Jews and union families) plus mailings which focus on consumer problems at Lucky such as meat weight and grade [and]...advertising gimmicks."

The union plans to back up the mail campaign with a series of radio and TV ads. So far, the media have apparently been reluctant to sell time for the UFW's spots, but Chavez assured the executive board that "we will harass the stations through boycotts directed at their advertising clients and court action."

Getting consumers to stop patronizing Lucky outlets is "not the primary purpose" of this boycott campaign, said Chavez in the memo. "The long term, residual benefit of the program is to alter the store's corporate image by associating something negative with Lucky." Exulted Chavez: "A new era has dawned for our union."

How long will Lucky be able to hold out? It is hardly surprising that California farmers are so fearful of the secondary-boycotting privileges accorded farm-labor unions under the state's Agricultural Labor Relations Act. Note: it is illegal for unions covered by federal labor law to engage in a secondary boycott of a firm—a union may urge consumers not to buy Brand X but not to avoid stores that carry Brand X. Under the ARLA, who knows?

A: Repeatedly.
Q: What was his answer?
A: Follow instructions and cooperate with the union.

Q: And was it your observation that cases were...assigned to field examiners based on the political or pro-UFW viewpoint of the field examiner?
A: That's correct.

If a formal complaint of an unfair labor practice is filed by the ALRB against the employer, his attorneys have the right of discovery, that is, the right to see the specific charges and evidence against their client. But testimony from former ALRB agent Elias Munoz before the ALRB's five-person Board last year went as follows:

Mr. Munoz: But when you're talking about discovery before the General Counsel, for all practical purposes... the employer does not have discovery. It is routine practice, I know...you prepare two files when you're doing an investigation. You prepare the real file that you and the union look at, then you prepare the other file that respondent will eventually get when you go to hearing. And even with this other file, before you go to hearing, you make sure you have purged it.
Board Member Waldie: How do you know that, sir?
Mr. Munoz: Five and a half years with the Board, doing the very same thing.
Board Member Waldie: Did you do the things you've talked about?
Mr. Munoz: Yes, sir, that was policy.
Board Member Waldie: Did you produce manufactured witnesses [as you said earlier]?
Mr. Munoz: The union produces manufactured witnesses....we tell the union that we need witnesses for this; they produce witnesses, and they tell us exactly what they need to say. Some of them may be legitimate.

It is hardly surprising, in the light of this record, that California's farmers have been complaining bitterly about pro-UFW bias in the ALRB. The UFW has consistently been the initiator of over 90 percent of the unfair labor practice charges that the ALRB deems worthy of following up with legal complaints. And once complaints are issued, growers hold little hope of ever proving themselves innocent of UFW charges, regardless of the facts.

It would be impossible to list all the unfair labor practices of which a grower can be found guilty. I interviewed one grower who, to comply with the ALRB requirement that he provide the union with a list of all his employees along with their

current home addresses and phone numbers, had xeroxed the information from his employee payroll cards. He was served a ULP charge because three of his employees had listed a post office box as their residence address. He called the three employees into his office, but they refused to give him a home address, explaining that they didn't want to have their families harassed or intimidated by UFW organizers. At the grower's request they appeared in front of ALRB officials and explained their refusal. The ALRB agents stuck by their issuance of a ULP.

In contrast, ULP charges against the UFW are frequently dismissed. One example occurred in connection with the 1981 Cattle Valley Farms strike when the workers were picketing Peter Solomon because they wanted out of the UFW.

The law explicitly protects such worker activities (not just union activities) from surveillance, particularly intimidating surveillance. Yet while these workers were picketing the entrance to the farm, a car of UFW union men pulled up and one man leaned out of the window and started taking pictures. One of the workers grabbed his camera and took pictures of the UFW man taking pictures of their "protected" activities. These pictures were deemed not to be sufficient proof of "unlawful surveillance" in the ALRB's investigation of a ULP charge filed against the union by the workers. Yet the union has made several ULP charges against Solomon for unlawful surveillance, and these have been deemed worthy of going to trial even though they are based solely on allegations that Solomon or one of his supervisors was seen near the workers when they reportedly were talking about union affairs.

That the ALRB has promoted the UFW even at the expense of farm workers is most evident in "decertification" cases, where employees are attempting to opt out of the UFW.

The ALRB conducts an extensive, multi-language worker education effort. In interviews with field workers, I have found that to many of them the ALRB agents are not unlike the FBI, INS, Uncle Sam—the United States Government, all in capital letters. So when ALRB agents come into the fields to conduct "worker education" meetings on how they can join a union (usually at harvest time, when the crews are at their yearly peak, including illegals), many of the workers take this as government telling them to join the union.

The ALRB's effort to communicate is ostensibly designed to assist workers not only in voting *in* a union but also in voting *out* a union should they become disillusioned with the union's efforts and authority over them. Yet in a 68-page English/Spanish handbook distributed by the ALRB to farm workers, 23 pages are devoted to describing how to vote in a union, but there is not even one sentence on how to vote out a union.

I have interviewed a number of farm workers who had attempted to decertify the UFW. Invariably there is an air of tension during the interviews despite my promising not to use their names.

"He was told that if he voted against the union he'd be back in Mexico real quick like."

In one such interview there were about 20 workers (most spoke at least some English, some spoke it quite well), and I asked them to start at the beginning and tell me how they went about trying to get a decertification election held.

We went down to their office [the local ALRB office] to get the paper so we could get the names signed on it [signatures on a petition to have the ALRB hold a decertification election], and they said they didn't have them, that we should come back in a few weeks. We did and they got us the paper and [we] got the names on it. When we went back, they told us we had used the wrong paper. But we used the one they gave us. They gave us a different one to do over again, and then they asked us why we wanted to get out of the union and who else wanted to and questions like that.

There was mutual agreement, "Yeah, that's right."

Their story did not surprise me—I had been told of it in other interviews, and other reporters have turned up the same pattern. (In a bizarre incident recently, Neal Templin of the *Imperial Valley Press* reported the complaints of farm workers at a citrus ranch that the local ALRB office had refused to hold a decertification election despite their filing of a petition. The day after the article was printed, the UFW filed a ULP charge *against the reporter*, claiming that he was an "agent" of the employer and was attempting to interfere with the workers' rights.)

I asked the ALRB how many decertification elections have actually been held in nearly eight years under the ALRA. There have been only five or six. It is my guess that UFW intimidation accounts for this as much as ALRB foot-dragging.

After the workers I was interviewing had described their attempts to file a petition, one of them added: "UFW guys there [in the ALRB office]—they're always in there. They drive around with them [ALRB agents] in their cars [state cars] all the time."

I asked if during this delay period there had been any trouble. Sure, they said, broken windshields, threatening phone calls, and "things like that." One worker, a slight-built young Mexican, said his pregnant wife was told that if she wanted the baby to have a "healthy" father, he'd better vote for the union, not against it. "She cry a lot," he added. Another worker wouldn't talk to me, but one of the others pointed to him and said he was an illegal and "he was told that if he voted against the union he'd be back in Mexico real quick like." Another pointed out, "They do that all the time." One worker told me, "They killed my dog." That was all he said. He abruptly turned away and left.

I asked if they knew who was doing these things. A few smiles, but no answers. "Why don't you go to the police or sheriff?" No smiles, no answers. I asked the one who had done most of the talking if he were to be ordered to testify in court, would he tell the court what he had told me? "No," was his carefully slow answer. "You would lie?" "Yes." He lowered his eyes and never spoke to me again.

Fear of union violence is enough to keep most such workers in line. Speaking out against the UFW's "fear tactics" in 1979, former UFW member and union negotiator George Moses told a reporter: "Most members are afraid to speak out because they're afraid of retaliation." Moses, who had been fired at the behest of the union when he opposed a strike order, explained: "They'll tell you, 'I'll burn your house down' and it scares you

because you know they'll do it. They've done it before."

Such tactics are nothing new among organized labor, but they hardly fit Cesar Chavez's or the UFW's media image. No one in the know realistically denies what is going on, but the shocker is that the UFW now has the legal force—sometimes subtle, sometimes blatant—of the ALRB behind many of these tactics.

Nor is the frustration of decertification attempts limited to obstacles placed in the way of ever holding an election. ALRB policy is that no decertification election results can be made valid (certified) until any outstanding ULP charges against the grower have been settled. In fact, the ALRB immediately impounds the ballot box and does not count the votes until the ULPs have been decided. Some growers maintain that the union files ULPs against them as "insurance," for if the grower is found guilty of just one ULP—and the odds are he will be—the decertification election is declared null and void and the ballots are destroyed. All of this usually takes over a year, sometimes as long as four or five years under appeal. In the meantime the workers must remain union members, and union dues, fees, and mandatory contributions to the union's political action fund continue to be deducted from their paychecks. *From the first decertification election in 1976 up to the present, the ALRB has not certified a single election to unseat the UFW.*

In essence, farm workers have been legally and effectively disenfranchised. A few workers are getting so fed up with the rough-shod way the UFW and the ALRB are walking over them, they've tried to fight back, but their fight is frustrated by today's legal complexities. About all that is left for disenfranchised workers is to get angry.

Peter Solomon's workers went out on strike. At the M. Caratan ranch, the workers, already frustrated by ALRB obstruction in getting the correct papers for filing the decertification petition and completing them to the ALRB's satisfaction, became so angry when they learned their ballots were to be impounded and not counted that they beat up some of the ALRB agents conducting the election.

And while workers are frustrated without much legal recourse, growers estimate that the cost of fighting UFW charges, in legal fees and consumed time, has run into the multimillions of dollars. More time is spent with lawyers, they complain, than is spent managing their farms.

Growers can appeal ALRB decisions in appellate courts and then on to the state supreme court. But almost 95 percent of the ALRB decisions have been upheld when appealed to the courts.

The *Los Angeles Times* in a recent editorial called this statistic "significant" in considering growers' charges of ALRB bias. But it is essential to realize that this standard of review is weighted in favor of the agency because it is the legislature's intent, noted the California Supreme Court in 1979, that the ALRB serve as "one of those agencies presumably equipped or informed by experience to deal with a specialized field of knowledge, whose findings within that field carry the authority of an expertness which courts do not possess and therefore must respect." In other words, unless there is a technical legal reason for the court to review the entire voluminous record of an ALRB hearing, the court is all but mandated by the 1975 ALRA to accept ALRB rulings.

In this light, another 1979 court case would seem to be far more significant than the "95 percent upheld" figure. Sunnyside Nurseries had appealed an ALRB ruling, and because the UFW's briefs referred only to the board's findings for the asserted "facts of the case" and the Board, in turn, furnished no record reference, the court did find it necessary to review the entire record of the ALRB hearing. In this study of the record, the court observed

> *without exception that every witness produced by the complaining union was expressly found "credible," or to have given "credible testimony," or to have "credibly testified," or to have testified "in a most credible way." On the other hand, also without exception, all of Sunnyside's material witnesses, many of whom were coworkers of the union's witnesses, were expressly found "unconvincing," or to "lack credibility," or to be "unworthy of credit." On account of this absolute imbalance of "credibility" found by the [ALRB] hearing officer, every one of the numerous detailed factual issues presented to the hearing officer was resolved against Sunnyside.*

The court dismissed most of the charges and set aside the sanctions ordered by the ALRB, one of which was to allow UFW organizers access to the employer's property in unlimited number for 30 days. The sanction, noted the court, "seems calculated only to intimidate or punish Sunnyside and to invite breaches of the peace, and encourage further industrial strife....The sanction is patently unreasonable, and a gross abuse of discretion." But the case was returned to the ALRB for further proceedings.

From the first decertification election in 1976 up to the present, the ALRB has not certified a single election to unseat the UFW.

The ALRB's biased implementation of the law appears to extend well beyond issues of fairness toward growers when charged by the UFW. Even though the ALRA includes a specific provision that the agency "shall follow the applicable precedents" of the National Labor Relations Act, the ALRB has frequently failed to do so (see sidebar, page 24). Consider, for example, the travesty of private property rights perpetrated by the ALRB in its policy on union access to the worksite.

The US Supreme Court has held that, in view of employers' private property rights, access for organizing purposes should be allowed only when the union does not have other reasonable means of communicating with employees. The Court held that it is irrelevant if these other means are more expensive or less efficacious. Under this standard, access has been allowed: to remote lumber and mining camps, to sailors aboard ship, and to employees in mountain resorts who live and work on the employer's premises.

Nevertheless, as soon as California's farm labor law was passed, the ALRB

Setting Precedents

One way to evaluate the record of California's Agricultural Labor Relations Board is to analyze how its rulings compare to precedents established under federal labor law. California's farm labor law incorporates much of the language of the National Labor Relations Act and includes a clause that the ALRB "shall follow the applicable precedents" of the NLRA.

In 1982 the California State University at Long Beach published a study, directed by Dr. Myron Lieberman, analyzing the decisions of the ALRB's five-member Board during its first four and a half years. What Lieberman found was evidence of "an unremitting interest group orientation relating to NLRA precendent."

Sometimes the Board claimed to be following precedent but did not. Sometimes it claimed on questionable grounds that precedent was not applicable. When the applicability of precedent depended on factual issues, the Board frequently resolved those issues "contrary to the weight of the evidence." And sometimes it concluded that precedent *was* applicable "despite specific statutory differences between the NLRA and ALRA on the issues involved."

All of these twists and turns, concluded Lieberman from his analysis of the cases, seemed to hinge on the outcome of the case for a specific interest group:

The study could not identify a single instance...in which an ALRB deviation from NLRA precedent redounded to the benefit of an employer. The UFW was the beneficiary of the overwhelming majority of instances of failure to follow NLRA precedent. Other unions, such as the Teamsters, benefited a few times; employers never did.

When Lieberman's study was released in April 1982, the media immediately dismissed it as a product of growers' contributions to the Cal State Foundation that sponsored his work. In fact, the *Los Angeles Times* headline for its story had nothing to do with the study's conclusions but read: "Major Growers Secretly Funded Study on Labor."

This reaction was typical of the state's media and came despite the fact that Lieberman is a solidly pro-union person with a record of activity in teachers' unions. He stated in the study, and in earlier testimony before the state legislature, that neither he nor the study supported the conclusion that farm workers should be denied the right to unionize. Moreover, as explained by Stephen Horn, the president of Cal State Long Beach, in a foreword to the study, both the ALRB and the UFW had been asked to participate in the study but refused.

The failure to address the content of the study makes it difficult for someone not versed in legal issues to assess its accuracy. My own impression, after poring through the 800-odd pages of analysis that back up the 72-page published study, is that Lieberman's work is eminently fair and if anything, as he explains, understates the extent of ALRB divergence from NLRA precedent, because he looked only at Board decisions and not at the decisions of ALRB hearing officers that were never appealed to the Board.

issued an emergency regulation providing union access to the worksite. The Board's rationale was that "unions seeking to organize agricultural employees do not have available alternative channels of effective communication." It is thus an unfair labor practice for an employer to deny union access (and, by the way, access to ALRB agents to conduct worker education—for which there is *no* NLRA precedent).

Even more drastic is the ALRB's position on union access to communicate with nonstriking and replacement workers during the tension-packed atmosphere of a strike. There is no NLRA precedent for such access, even in the public sector where the property is publicly owned.

During a particularly violence-laden UFW strike against the Bruce Church company in 1979, the union demanded access to nonstriking workers in the company's fields. Bruce Church refused, contending that it would have been an outright invitation for more violence and also that there was no ALRB regulation or order providing for such access during a strike. In the absence of any such ruling, it was logical that federal precedent would be valid as stated in the ALRA's legislative mandate.

The UFW immediately filed a ULP charge and then obtained a court order granting access. The company complied but filed a court appeal that reversed the lower court's ruling, because the lower court had no jurisdiction in the absence of an ALRB regulation providing for such access.

Regardless, when the UFW's charge of an unfair labor practice against the Bruce Church company was finally heard later that year by the Board, the company was found guilty. In other words, the company was guilty of violating a nonexisting regulation—and one that wouldn't, in any case, have been in accord with NLRA precedent.

It is clear that the ALRB's pro-UFW administration of California's Agricultural Labor Relations Act has by and large subverted the legislature's intention that "certainty and a sense of fair play" be brought to agriculture in the state. It is also clear, however, that much of the control that the UFW can now exert over both workers and farmers results from features of the law itself that give farm labor unions far more power than unions governed by any other labor law in the country.

Some of these features include:

- *the timing of elections*, which the ALRA specifies can be held only at peak harvest time, thus allowing more easily unionized temporary workers (who have less stake in the employers' long-term survival) to dictate the terms of employment of permanent workers;
- *strikes at harvest time*, when the grower is most vulnerable (the possibility of such strikes was one of the major reasons agricultural unions were not included under the NLRA in 1935);
- *secondary boycotts* (see sidebar, page 21), long outlawed by national labor law but allowed under the ALRA subject to ALRB regulations.

One of the most important and controversial of the powers conferred by the ALRA involves "membership in good standing." In the eyes of federal labor law, "good standing" essentially means that a worker must pay his union dues and initiation fees. If he does not, his union can declare that he is not a member in good standing and his employer, by virtue of his union contract, can be forced to fire him. The ALRA, in contrast, states that the union can "prescribe its own rules" of membership

that will determine when an employee must be fired.

The UFW's rules of membership are contained in a section of its constitution setting out over 30 thou-shalls and thou-shall-nots. Some of these rules are very clear. It is mandatory, for example, that a union member give one day's pay per year to what has been called the union's political slush fund, regardless of whether he approves of its various uses or not. Other rules are so nebulous ("conduct detrimental to the welfare of the union," for example) that one's guilt is almost at the mercy or whim of the union (and the accused is not allowed outside counsel). Certainly a union member is suspect and subject to losing his job if he opposes some of the union's activities or leaders. If the union so orders, he must participate in rallies, demonstrations, and strikes, or he could lose his job. No other labor law in the country gives a union this kind of power over its members.

Perhaps the most devastating aspect of the ALRA for growers is its "make whole" provision. When a grower is found guilty of an unfair labor practice (and this includes "refusing to negotiate in good faith"), California's law provides that he can be ordered by the ALRB to make whole his employees or former employees. This means that he must give the workers who were employed by him, or out on strike against him, back wages and benefits at rates set by the ALRB and calculated from the time the charge was filed until the time the charge is litigated and he has been found guilty, which could be years if the employer takes the consequently huge risk of appealing. The NLRA includes no provision for the make-whole remedy, and the NLRA has maintained that it lacks the authority to impose such punitive remedies that have the effect of forcing the employer to reach an early agreement with the union.

Back in 1979 the UFW went out on strike against 28 lettuce growers. It was a violence-ridden strike, and eventually 17 of the growers settled, but by December 1981 there were still 11 holding out and still under an ALRB charge of not negotiating in good faith. In a 3-to-1 decision the ALRB awarded 2,500 farm workers who had struck against these 11 growers anywhere from $25 to $50 million in back pay (the case is still under appeal). As pointed out by one of the attorneys involved, it is doubtful that the growers' combined net worth amounts to the millions they will owe the workers if the courts uphold the ALRB.

And now (1983), several of the 11 have gone bankrupt, a few have negotiated a settlement, and 5 are still holding out with the clock still running. When all appeals are exhausted, and should they be found guilty, these five growers will have to make whole their former employees to the tune of some X amount of millions, as well as offering the workers their jobs back. Joining the others in bankruptcy is another alternative.

One interesting aspect of make-whole is the problem of finding these employees, who might be anywhere and working for who-knows-who in the elapsed years. The union often ends up taking the money to relay to workers. If they can't find the workers within 90 days, the union keeps the money for its own purposes or for whatever purpose might be negotiated with the grower. One company agreed with the union in settlement negotiations to make a contribution of around $250,000 to the UFW's pension plan, and the ALRB approved this as satisfying all make-whole obligations. So much for the individual worker.

The administration of the law has by and large subverted the legislature's intention that "certainty and a sense of fair play" be brought to agriculture.

In less than eight years, the Agricultural Labor Relations Act has made it possible for farm labor unions—and specifically for the UFW—to gain significant control over farming operations in California. The UFW can assign jobs to union members. Through the good-standing provision, a feature of virtually every UFW contract, it can dictate which members will retain their jobs and thus, in effect, becomes the employer of its members. Under a negotiated contract, the UFW can tell employers whether or not they can retain workers from one season to the next. It can control such entrepreneurial decisions as what capital equipment to purchase (mechanization), what crops to plant, what pesticides to use (and when and where), and even whether and under what conditions to discontinue all or part of the employer's operations. And through the ALRB's rulings in successorship cases (if a farm is sold, the new owner must bargain with the same union), the control is clinched; for as several economists note in a new book, this "effectively unionizes the farmland instead of the land owner." In short, conclude these economists, the UFW has gained in California the kind of voice in management decisionmaking that is the goal of advocates of *codetermination*—the joint sharing of management authority between labor and the owners of capital, via labor's inclusion on a corporation's board of directors.

Consider, for example, the ALRB's requirement that the grower negotiate with the union before making any major decision that might affect the union workers. The 1982 *Paul Bertuccio* decision is a case in point.

Back in 1980 the garlic in one particular 40-acre field on the Bertuccio family's farm became stained from heavy rains and thus was not appropriate for the fresh market. Bertuccio sold it to a seed company—"That way we could get something for it, only way to salvage a little of it," Mrs. Bertuccio told me. The seed company picked the garlic by machine, and the ALRB upheld a UFW charge that Bertuccio took work away from the union people on his farm.

Bertuccio maintains that the workers affected were permanent employees and were given work in other fields. But the ALRB ordered back pay for the workers who didn't harvest that garlic, arguing that they made less money with the alternative work. Because Bertuccio just went ahead and sold the garlic for seed without negotiating with the union, he should make up the difference.

The issue is who has the right to make management decisions. Harry Bernstein, writing about this case in the *Los Angeles Times*, reported:

In a far-reaching, precedent-setting decision, the California farm labor board has decided that growers must bargain "in good faith" with the farm workers' union before making any major company decisions that will have a "significant" impact on union members.

The Agricultural Labor Relations Board thus set up, in effect a type of "plant-closure" ruling, giving workers a chance to change management decisions that could hurt them economically. Any reduction in farm operations that would result in layoffs and reduced earnings must first be discussed with the union, the board ruled.

For years, unions have fought without success to obtain legislation requiring non-farm employers to give advance notice of plant closures and force them to bargain over the impact of major corporate decisions.

Some European countries, including West Germany and Sweden, require corporations to bargain with unions over their corporate decisions, a system which has given European workers a major voice in company operations. But this is the first time something comparable to the European plan has been instituted in the United States.

Mr Bernstein is talking about codetermination.

Six months after this "far-reaching, precedent-setting" decision, the ALRB, in a 3-to-2 decision on June 21, 1983, apparently reversed itself in a similar case. Cesar Chavez claimed that "they made their decision based on politics." It would seem that he is correct in view of the controversy the ALRB is facing with a new, Republican governor in Sacramento who is deeply concerned with the free-wheeling powers of the ALRB. But how significant it will be for future policy should be considered in the light of dissenting Board member Jerome Waldie arguing that "each case of alleged refusal of an employer to bargain about decisions that significantly affect workers should be reviewed separately."

It is possible to argue that what is wrong in California is the administration of the ALRA, not the law itself. That it is the bias of the Board and its staff that is the core of the problem. But it can be more convincingly argued that as long as the law itself gives farm labor unions in the state dangerously precedent-setting power, it is the law that is the core of the problem and it is the law that ultimately must be changed.

Three Clemson University economists, Rex Cottle, Hugh Macaulay, and Bruce Yandle, argue in *Labor and Property Rights in California* (the new book referred to earlier):

One can view the CALRA [California ALRA] as an attempt to extend the NLRA to agricultural workers. But if viewed in a historical context of codetermination, the CALRA becomes much more than a law allowing fair labor practices within that state. Indeed, the CALRA can be viewed as a movement to socialize the agriculture industry and to redistribute profits from farmers of land and capital to organized labor.

"If someone asks you who wrote the labor law: the answer is Cesar Chavez," declared a union official at the union's 1982 convention. And the role of Chavez and the UFW in shaping and pushing through the ALRA in 1975 (and defeating numerous legislative attempts to reform it) is widely acknowledged.

Whether or not codetermination was the *intent* of Chavez and the UFW in securing the passage of the ALRA, the *effect* of the legislation is certainly to take California agriculture a long way down that road. And that effect, in fact, is not inconsistent with the goals of Cesar Chavez and many of his supporters.

Proponents and opponents of codetermination represent two conflicting sets of philosophical and economic ideas: whether the right of ownership (private property), freedom of contract (voluntary exchange), and limited government (government enforcing the rules as umpire, not making the rules as dictator) are the appropriate principles of political organization.

Consider, then, Chavez's belief that the grower is rich at the expense of the oppressed worker. For example, speaking at the UFW's convention in 1981 he declared:

I would not take one cup of coffee from a grower. . . . There's not a good one. I hate them. A few presents, a little talk, then the noose. That's how capitalism works.

And consider that Chavez, in image, deed, and rhetoric, is the perfect student of the socialist Saul Alinsky, under whose apostles he studied and worked for over a decade before embarking on his career as a farmworker union leader at the age of 35. He cut his social-organizer's teeth on the words of Alinsky, a self-professed radical:

Radicals want to advance from the jungle of laissez faire capitalism to a world worthy of the name of human civilization. They hope for a future where the means of economic production will be owned by all of the people instead of just a comparative handful.

The radical places human rights far above property rights.

And consider that among Chavez's close allies and biggest supporters are Jane Fonda and Tom Hayden, whose California political machine, the Campaign for Economic Democracy, is the organized expression of the socialist escape from the "jungle of laissez faire capitalism" and private property.

Jane Fonda:

We've got to establish a socialistic economic structure that will limit private, profit-oriented businesses.

Ultimately we must concern ourselves with pulling out by its roots the decadence that controls our culture, the profit motive that controls our culture. But you can't do that unless you have power.

Saul Alinsky:

Liberals . . . talk glibly of a people lifting themselves by their bootstraps but fail to realize that nothing can be lifted or moved except through power.

By 1975 Cesar Chavez had achieved power. He was (and is) supported by a large segment of the church hierarchy with endorsements from the pulpit of his various boycotts, approval of his philosophical goals, and generous financial contributions. He was revered by the vast majority of the media and student activists. And the union had at its disposal a growing political slush fund accumulated from members' mandatory contribution of one day's pay a year.

All of this spelled v-o-t-e-s to certain politicians. With the UFW's political action fund, Chavez declared candidly in 1981, "we have...attraction for the politicians." And indeed, the politicians eagerly jumped on Chavez's bandwagon. Chavez used his power for the coup d'état of all times, pushing through a labor law that has allowed his union to gain unprecedented and near-dictatorial control not only over farmers in the state but over UFW members. And as a result, as Profs. Cottle, Macaulay, and Yandle conclude, "Codetermination is alive and prospering in California under the protective shield of the CALRA." ◧

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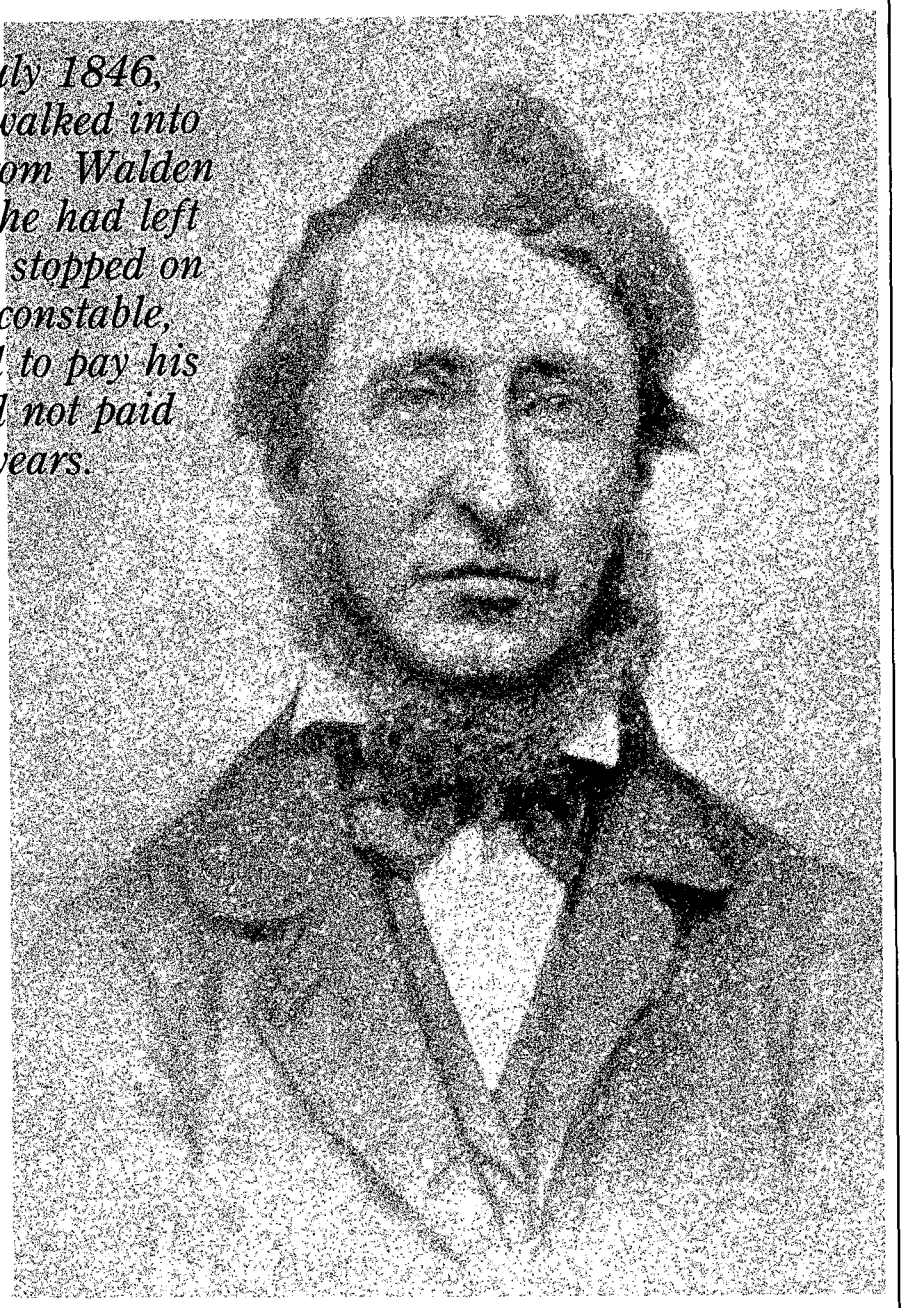
BY CARL WATNER

One evening in late July 1846, Henry David Thoreau walked into the village of Concord from Walden Pond to pick up a shoe he had left at the cobbler's. He was stopped on the street by the local constable, Sam Staples, and asked to pay his poll tax, which he had not paid for three or four years.



"I'll pay your poll tax, Henry, if you are too hard up," offered Staples. He also suggested that Thoreau might appeal to the selectmen of the town to reduce his tax. Thoreau responded that he had not paid his tax as a matter of principle and didn't intend to pay it or have it lowered. When Staples asked Thoreau what he should do about it, Thoreau told him if he didn't like it, then he should resign his office. That didn't go over too well, and since Thoreau did not promptly pay up, Staples hauled him off to jail, where he was locked up for the night.

Although it's not well known now, Thoreau was not the first in Concord to have protested the poll tax. Three and a half years before, on January 17, 1843, Staples had arrested Thoreau's friend, Bronson Alcott, on a similar charge. And in mid-December 1843, an Englishman named Charles Lane had been arrested too.

The poll tax in Massachusetts was imposed on every adult male, and resistance to the tax had been seized upon by most abolitionists as a way of

"If 1,000 Men Were Not to Pay Their Tax Bills This Year..."

Photograph from the Bettman Archive

dramatizing their opposition to slavery. What was unique about Alcott and Lane was that they were protesting the very existence of a government that sanctioned slavery. Theirs were the first known acts of generalized tax resistance on conscientious grounds in American history.

After Alcott's arrest, Lane wrote a series of letters for the radical abolitionist journals, defending tax resistance as a strategy for challenging governments. Particularly those which upheld slavery, he viewed as nothing more than criminals raised to the throne. His call for "A Voluntary Political Government" involved divesting government of the power to collect compulsory taxes and recognizing that no government has the right to violate individual rights of person or property. Lane made it clear that Alcott's opposition to the poll tax was a general opposition to compulsory government. It didn't make any difference to Alcott whether his tax money went to catch fugitive slaves or educate children: he objected to the coercive power of a government to collect the tax, not to how the tax money was spent.

Lane, like Alcott, saw the coercive state on a par with "forced" Christianity. "Everyone can see that the Church is wrong when it comes to men with the Bible in one hand, and the sword in the other," said Lane. "Is it not equally diabolical for the State to do so?" He believed that governmental rule was tolerated by public opinion only because people had not yet recognized that the true purposes of the state might be carried out on what he termed the "voluntary principle." The very fact that state-sponsored activities required coerced tax support in order to be carried out, argued Lane, provided absolute proof of their inherent weakness. "If the work is desirable," he said, it will be done; if not, then it should not be done.

Lane shared with many radical abolitionists an aversion to politics. He recognized that government control rested on the acquiescence of the citizenry. What was needed was for reform to begin within the individual so that eventually enough people would withdraw their support from the state.

What would happen if there were a total abstinence from the ballot box? Lane urged his fellow abolitionists to go as far as possible from human government, although he recognized that for "a season perhaps, it is the misfortune of everyone to fall into this delusion of imagining that human good can be served by political means." He finally asked, "What are we to do?" His answer was, leave the beast alone. "Like all our enemies, State oppression will die of itself if we meddle not with it," he concluded.

Thoreau's friendship with Lane and Alcott made him particularly aware of these views. Thoreau's mother and sisters were ardent abolitionists who subscribed to the antislavery journals that featured these ideas. He undoubtedly read Lane's letters in them. Also, the radicals who visited Concord boarded at his mother's house. "It is safe to say," concludes Thoreau scholar Walter Harding, "that there was probably hardly a single prominent New England abolitionist of those times that Thoreau did not meet at least once across his mother's dining room table." Thoreau had even written an article endorsing Nathaniel Peabody Rogers's journal, *The Herald of Freedom*, and it had been published in *The Dial* in 1844.

The radical abolitionists in those years split philosophically into two groups. Generally all of them argued that slavery should be ended as soon as possible and that none of them should run for political office or participate in political parties. However, William Lloyd Garrison and his followers wanted mass action against slavery and called for the formation of large, powerful antislavery societies. On the other hand, those like Nathaniel Peabody Rogers believed that the moral reformation of the individual was more important than mass movements. Rogers feared that Garrison's approach would lead to the institutionalization of the antislavery societies, rather than the moral awakening of the individual person.

It was the latter stance that attracted a transcendentalist like Thoreau. His ideas and those of his teacher, Ralph Waldo Emerson, placed primary emphasis on individual reformation. "Above all be true to your own conscience" might have been their watchword. So when Thoreau felt called to action, it was natural that he adopted an individual rather than an organized approach to protest.

Had it not been for Staples, Thoreau might not even have had the opportunity to protest the poll tax. Staples had ignored Thoreau for several years, but in 1846 he was about to give up his job as tax collector. It is quite likely that he wanted to clear his books of any arrears.

In fact, Thoreau spent his one night in Concord jail only because Staples was too lazy to put his boots back on. When Thoreau's family learned of his imprisonment, someone anonymously went to Staples's home and paid the tax. But Staples was already by the fire with his boots removed when his daughter informed him that the tax had been paid. He declared that he wasn't going to the trouble of putting them back on to go back to the jail—Thoreau could wait until morning to be released.

Based on his experience in jail and the examples of Alcott and Lane, Thoreau presented a lecture to the Concord lyceum in 1848 titled "The Relation of the Individual to the State." This was the basis of an article published in 1849 that later became known as his essay "Civil Disobedience."

Thoreau's main point was that men and women should obey the higher law of their own consciences when it clashed with legislated law. The deliberate violation of government law was justified on such occasions as, for example, when the fugitive slave law called for the return of slaves to bondage. From a practical point, civil disobedience represented noncooperation with the state and served to draw the attention of good people everywhere to the evil that was being protested. If the state refused to repeal the law in question and imprisoned many people, then this would serve to disrupt the machinery of the state.

It was this type of direct nonviolent confrontation with the state that Thoreau advocated:

If 1,000 men were not to pay their tax bills this year, that would not be a violent and bloody measure, as it would be to pay them, and enable the State to commit violence and shed innocent blood. That is, in fact, the definition of a peaceable revolution, if any such is possible. If the tax-gatherer or any other public officer asks me, as one has done, "But what shall I do?" my answer is "If you really wish to do anything, resign your office." When the subject has refused allegiance and the officer has resigned his office, then the revolution is accomplished.

Thoreau's advocacy of civil disobedience developed out of the highly individualistic, libertarian tradition of the 19th century. Subsequent philosophers and political activists like Leo Tolstoy, Mahatma Gandhi, and Martin Luther King have advocated and sometimes actually used this technique. They all knew of Thoreau and had read his essay "Civil Disobedience," but none of them knew anything at all about Lane or Alcott or of their friendship with Thoreau.

It is an irony of history that nonlibertarians, like those in the civil rights and peace movements, have proved the vast effectiveness of a technique that was pioneered by libertarians.

Carl Watner is an independent scholar and the editor of A Voluntary Political Government: Letters from Charles Lane, *recently published by Michael Coughlin Publishers (St. Paul, Minn.).*

And Now, A Pitch for Advertising

Commercials got you down? Jingles driving you nuts? Try THIS new look at advertising for fast, effective relief!

Brought to you by John K. Williams

FEW PEOPLE SPEAK KINDLY of advertising. H. G. Wells described it as "legalised lying," George Orwell dismissed it as "the rattling of a stick inside a swill bucket," and Stephen Leacock defined it as "the science of arresting the human intelligence long enough to get money from it." Alexander Solzhenitsyn, morosely pondering the "decadence" of his adopted (and adoptive) West, spoke of those who "spit in the eye and in the soul of the passerby and the passenger with advertising."

The standard case against advertising is familiar. Advertising, it is claimed, insults the intelligence of consumers by its fatuity, offends their aesthetic sensitivities by its vulgarity, betrays their trust by its dishonesty, wastes their money by its costliness, and manipulates their tastes by its cunning. All in all a formidable case.

Yet it is not an unanswerable case, even though it frequently goes unanswered. And while it is understandable that businesses employing and businesses providing the skills of the advertiser should prefer getting on with their respective tasks rather than diverting their energies into pointless debates, it is important that the case against advertising be challenged. Burgeoning bureaucracies are not usually popular with the general public, but bureaucrats regulating advertising enjoy a considerable measure of community approval. Are they not, after all, on the "side" of the hapless consumer? Yet rule by bureaucratic edict, rather than governance by general principles of just con-

duct that apply equally to all, augurs ill for a free society. Subjecting advertisers not to general rules proscribing fraud or enforcing contracts but to a battery of regulations specific to a particular industry imperils a defining principle of a free society.

BAD TASTE UNLIMITED:

"O vile, intolerable, not to be endured!"
SHAKESPEARE,
The Taming of the Shrew

THE POPULAR CASE against advertising goes little beyond indignation occasioned by the alleged aesthetic, intellectual, or moral shoddiness of many advertisements. Such indignation, however, is inappropriately directed against advertisers, for advertisers simply try to appeal to the actual tastes, and speak the idiom, of those whose attention they seek. To appeal to tastes "superior" or "inferior" to those of their intended audience would guarantee their failure to gain attention and communicate. Trial and error has ensured that popular advertising reflects, with remarkable accuracy, the tastes of the masses. To blame advertisers for what their advertisements reveal about popular tastes is comparable to arraigning wet roads for inclement weather or indicting thermometers for raging fevers.

This point is frequently obscured by those who hold the (improbable) notion that the success of advertised commodities is determined by tastes "artificially" created by advertisers. Yet even assuming this belief, it is still obvious that if an advertisement is to attract and sustain attention, it must *initially* appeal to consumers' actual tastes. In the absence of "advertisements for advertisements"—that is, advertisements creating tastes that attending to further advertisements can satisfy—the success of an advertisement in gaining attention for itself cannot be explained in terms of artificially created desires. An advertisement, then, *must* initially appeal to existing tastes. To assert otherwise initiates a vicious infinite regress.

Rather than blame advertisers for the allegedly shoddy tastes of the masses, self-appointed refiners of community tastes and improvers of community values should *thank* advertisers for revealing the enormity of their task. (Moreover, one cannot help but note that even the Philistines responsible for television commercials occasionally reveal a capacity for humor conspicuously absent in their cultured detractors. And some commercial art is not aesthetically inferior to certain works of "art" that have bluffed their dubious way into galleries haunted by the self-styled guardians of artistic refinement.)

PRODUCTIVE VALUE ZERO:

"These are but wild and whirling words."
SHAKESPEARE,
Hamlet

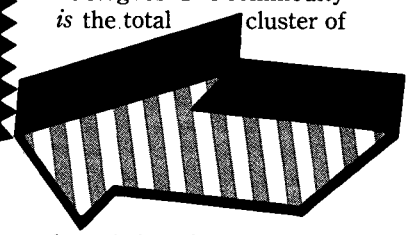
A MORE SUBSTANTIAL CRITICISM of advertising stresses its alleged wastefulness as a dependent industry. The least sophisticated formulation of this criticism simply notes that advertising is a "second-order" activity, dependent upon other industries. What is not self-contained is parasitic, the argument goes, and what is parasitic is undesirable and wasteful.

Any plausibility possessed by this criticism derives from the "bridging" word *parasitic.* The word mixes together descriptive and evaluative elements. To *describe* A as parasitic upon B is to assert, minimally, that A depends upon B. To *evaluate* A as parasitic is to ascribe a lack of value to A. The word thus makes possible a glide from the *description* of an activity as dependent upon some prior activity to the *evaluation* of the activity as worthless. Precisely the same move was made by the Physiocrats of 18th-century France who asserted that all industries dependent upon the activities of farming, hunting, and fishing are parasitic on these industries and hence are wasteful. The transition is obviously invalid unless a further premise can be established—that all dependent activities are wasteful.

A more telling version of the argument seeks to defend that premise. Proponents of this line of thought make a distinction between production costs and selling costs. Production costs are incurred by producers in the actual fabrication of a commodity. Selling costs are costs that, while not incurred by any process or activity to change or modify a commodity, are necessarily involved in securing its sale. Selling costs are thus by definition nonproductive. Since advertising is a selling cost, conclude the critics, it is nonproductive.

It could, of course, be countered that "selling costs" are productive of increased sales. In fact, however, the distinction between selling costs and production costs collapses when it is transposed from the rarefied world of economic theory to the flesh-and-blood world of market reality.

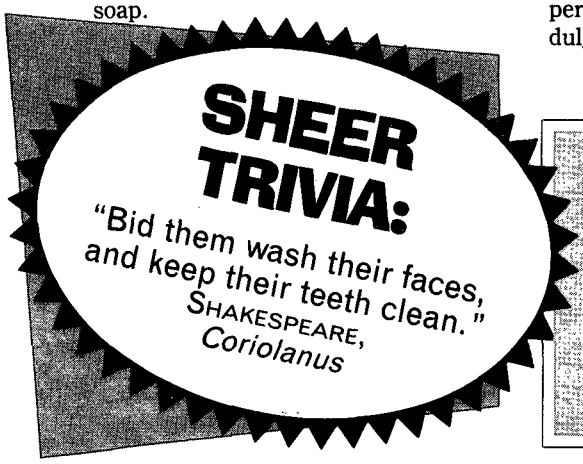
In purchasing a particular commodity a consumer forgoes buying some other goods, because he values that commodity more highly than the goods he forgoes. The commodity *is* the total cluster of

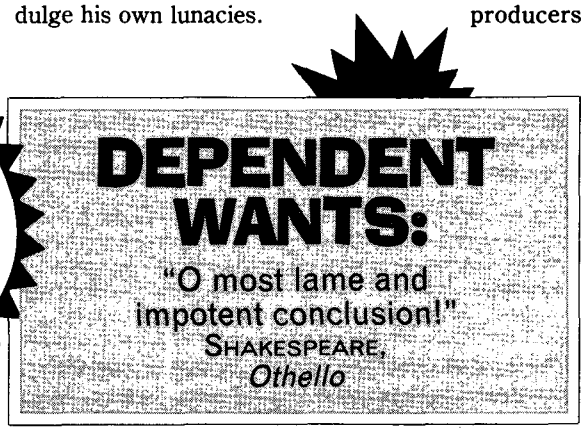


qualities evaluated by the consumer. Some of the qualities will be peculiar to a particular consumer: an ashtray, for example, might possess the quality of "being large enough to cover the burn mark on a dining-room table," and this might be the crucial quality in determining the value of the ashtray for that consumer. Other qualities might be noted by all consumers but evaluated differently: the color of an ashtray may be a positive factor for one consumer, negative for another, and irrelevant for a third. All costs incurred in creating qualities intended to be valued by a consumer are production costs. To single out any one link in the chain of events culminating in the consumer's evaluation and purchase of a commodity is arbitrary. Inasmuch as advertising can create such qualities as a commodity's "being known to a consumer," advertising *is* a production cost.

A consumer deliberately purchases, for example, a particular brand of soap. That particular brand possesses not only the qualities of soap per se but, as purchased, other qualities as well. It is known. It may have a particular color—say, green—that through advertising, the consumer associates not with green slime on a stagnant pond but with the refreshing greens of spring. For a par-

ticular consumer, that association may well be the decisive factor in choosing this particular brand of soap over another. That association and its attendant pleasure is as much a "real feature" of what is purchased as is the mass of the soap.





WHAT IRKS MANY CRITICS of advertising is the "trivial" nature of many advertised goods and the "unimportance" of the associations that advertising may link to a particular commodity. And it would be folly to deny that the need for food is more important than the need for color TV sets, that shelter is more important than a soap whose color is associated with spring freshness. And if *insignificant, trivial,* or *unimportant* are to mean "unnecessary for survival," then most goods advertised and all qualities of goods created by advertising are insignificant, trivial, and unimportant as well.

Few people, however, would care to defend the view that any lifestyle beyond mere subsistence is evil. Most would agree that goods contributing to a person's enjoyment of life are desirable. The objection, then, is not that manufacturers and advertisers create goods that are unnecessary for survival but that many of these goods, or some of their qualities, *should* not be relevant to such enjoyment of life.

How is that *should* to be defended? Who is to determine what goods or qualities of goods should or should not contribute to an individual's enjoyment of life? Is the Mozart enthusiast to rule that others should not find pleasure, say, in the music of Abba? Is the Dostoevsky devotee to decree that those entertained by Ian Fleming's novels should not be so entertained? Is the admirer of abstract art to declare that simple, "brainwashed" souls who enjoy Disneyland should not enjoy such "debased" entertainment?

That some producers and advertisers will produce and sell commodities that misguided individuals in their folly value, is the price paid by each member of a society in which other producers and advertisers, led perhaps by nobler ideals, bring to market commodities that he in his wisdom seeks. The wise person simply rejoices that, in a free society, each person can be his potty little self and indulge his own lunacies.

PERHAPS THE BEST-KNOWN ATTEMPT to find an objective distinction between consumers' legitimate and illegitimate valuations of goods is that proffered by John Kenneth Galbraith in his widely read *The Affluent Society.* Galbraith's essential thesis is that the market economies of developed nations, even though hampered by state intervention, are *still* too productive. Excessive affluence in the private sphere coexists with a paucity of resources in the public sphere. On the whole, Galbraith maintains, consumers enjoy purchasing power in excess of that required to enjoy a "good life." But they resent the appropriation of that excess through taxation, because they are driven by insatiable "artificial" wants. These wants, which give rise to voracious consumption of an ever-increasing range of commodities, are created by advertisers and their wicked clients, the producing businessmen.

First off, one wonders whether the alleged paucity of the contemporary state is quite as depicted. In 1978, for example, the assets of the top 34 listed corporations in my native Australia were worth a total of some $13.5 billion. Total state revenues from taxation came to some $26.8 billion—almost twice as much. And *that* staggering sum represented only 75 percent of total government spending for 1978. To suggest that *paucity* describes such a public sector is somewhat extraordinary.

Galbraith's skeptical readers also noted that beyond indignant references to cars with large tailfins and repetitious comments about the plurality of detergents on supermarket shelves, he proffered no evidence for his faith in the quite remarkable powers of advertising. Could advertising sell and continue to sell inedible food, unwearable clothes, and unworkable gadgets? Could even the most sublime advertising have given oil-lamp makers a market edge over manufacturers of electric light bulbs, or quill-pen producers an advantage over their ballpoint-pen competitors?

Galbraith's case against advertising is not, however, dependent on unverified speculations about advertising's effectiveness or on the excellence and authority of Galbraith's own tastes and preferences. Rather, it depends on a distinction between "legitimate" and "illegitimate" wants defined by appeal to what Galbraith designates the "dependence effect."

Illegitimate wants are those that would not be experienced in the absence of the processes of production that satisfy them. A want for a breakfast cereal that goes "snap, crackle, and pop" would not exist in a world lacking such a peculiar breakfast cereal. The production and marketing of the known product *creates* the want the product satisfies. Such a dependent want is a mark of the alleged decadence of an "affluent society."

Crucial to Galbraith's argument is the insistence that the illegitimacy of a want is a function of its dependent nature. A want is not illegitimate because it is frivolous—Professor Galbraith, wisely, is at pains to avoid opening the Pandora's box of mischief such subjective criteria present. The dependent nature of socially created wants—as against "natural" wants—is the basis of their illegitimacy.

Unfortunately, this objective basis means that *all* culturally created wants are necessarily "illegitimate." A desire to listen to and possess recordings of the music of Mozart is dependent upon the productive activity of Mozart. A desire to gaze upon and own reproductions of van Gogh's paintings is dependent upon the productive activity of van Gogh. A desire to understand and read books explaining the scientific insights of Einstein is dependent upon the productive activity of Einstein. As Friedrich Hayek has pointed out, Galbraith's test results in all wants save those for food, shelter, and sexual opportunity being dismissed as the undesired consequences of obscene affluence.

Hayek asks three questions that are worth quoting. "Clearly my taste for the novels of Jane Austen or Anthony Trol-

(Continued on p. 38)

Free the D.

By Paul Feldman

"It is one of the finest problems of legislation—what the state ought to take upon itself to direct by the public wisdom, and what it ought to leave, with as little interference as possible, to individual discretion."

—Edmund Burke,
Thoughts on Scarcity, *1795*

Anyone observing the growth of government in the United States since 1795 might be tempted to judge that, over the years, Americans have resolved Burke's "finest problem" by opting for greater direction of private actions by the "public wisdom" and leaving less for individual discretion. Times change, however, and so does public opinion. The recent outpour of complaints about the size of government and the extent of its interference in private decisions suggests that Burke's problem has once again become a live issue.

Among the many good reasons why the role of government should be reexamined is this: when government substitutes the political process for individual discretion, it of necessity also substitutes political criteria for economic criteria. That is, it relies on head counts and special group interests, rather than efficiency, in determining how to conduct business. The results are often neither politically nor economically satisfactory. A good example of an unsatisfactory outcome is airport service in the Washington, D.C., area. There, the Department of Transportation, through the Federal Aviation Administration (FAA), actually owns and operates two of the area's three commercial airports.

Is the federal government's operation of these airports based on sound economic criteria? That is, are there conditions in the Washington area such that it makes any sense at all that the government administers these airports? And, further, what would happen if the airports were privately owned—if the federal government auctioned them off to the highest bidders and let the private owners do with them as they would? A comparison of the existing arrangement with this latter, private scenario offers the answers.

According to classical economic theory, several general conditions call for government intervention in the provision of any services. Legislators tend to state them as: (1) lack of competition, so that a monopolist can restrict supply and maintain an artificially high price, (2) lack of information about a service, so that consumers are unable to make rational choices among available alternatives, and (3) the existence of benefits that cannot be captured by a private entrepreneur (so he underinvests) or costs not borne by the entrepreneur (so he overproduces). In the case of airports, particularly in the Washington, D.C., area, only the last of these holds.

Consider the possibility of monopoly. There are three major commercial airports serving the market: Washington National and Dulles International, both run by the FAA, and Baltimore-Washington International, run by the state of Maryland. They are not equal competitors. National has relatively short runways but is only 10 to 15 minutes from downtown Washington. Dulles and Baltimore, with longer runways, are more like an hour away. Travelers prefer National to both of the others if for no other reason than its convenience—it saves time—but ground travel also is less expensive. Taxi fare from National to downtown Washington is only about $5, while from Dulles a taxi is $35, and even the limousine, with all its delays and stops, costs more than $7.

None of the three airports, however, is able to unilaterally restrict air access to the D.C. area and thereby maintain an artificially high charge to the airlines operating in the area. (And the fees that airlines pay airports to use their facilities are, of course, ultimately paid by the airlines' customers.) In fact, with all three airports, there is *excess* capacity in the area, and airlines could maintain access even if one were to close.

As for a lack of consumer information, there is certainly no limit on information about the available services. Airlines maintain a national network of bookings—both they and consumers have instant access to all that anyone could ever want to know about available services.

There are, however, uncharged costs of airport operations—for example, noise, air pollution, and the danger of aircraft falling in neighboring communities—but these are local, community costs. Proper handling of these costs—through the courts, for instance—requires the federal government neither to administer the airports nor even to intervene in their administration.

The federal government is constituted to take care of problems that concern *all* of society, such as national security, protection of civil liberties, and maintenance of free commerce. But no such problem resides in, or is solved by, provision of a particular amenity—airport facilities—to a particular community—Washington, D.C.

Why, then, *does* the federal government run two commercial airports? Simple custom has a lot to do with it, for no major commercial airport in the United States is privately owned and operated. This situation derives in part from the fact that most airports—excluding some larger, big-city ones—generally seem not to be profitable enough to attract sophisticated investors. By itself, that is not an overwhelming argument that airports ought to be government operated. If people in a community strongly believe they should have an airport available to them, they might voluntarily cooperate to build one and contract with a private firm to manage it (see sidebar, page 36).

Photographs courtesy Federal Aviation Administration

C. 2!

There's an easy solution to the federal government's mismanagement of its two commercial airports—sell them off!

Governments, however, seem to work under the principle that once any government, anywhere, has done something, it is proper for other governments to do the same. Moreover, once any government starts to do something, it takes the equivalent of an earthquake to stop it.

In the case of airport service in the Washington, D.C., area, history has also played a part. The federal government used to be the district's local government. It acted like a county or municipal administrator, and following custom, it provided the same kinds of services. The federal government built National Airport during the Great Depression, when spending on public works was probably more of an objective than the provision of airport services. The current National replaced an earlier airport—Washington-Hoover—which in turn had replaced two

Through the Federal Aviation Administration, the federal government owns and operates National (above) and Dulles International (below) airports.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

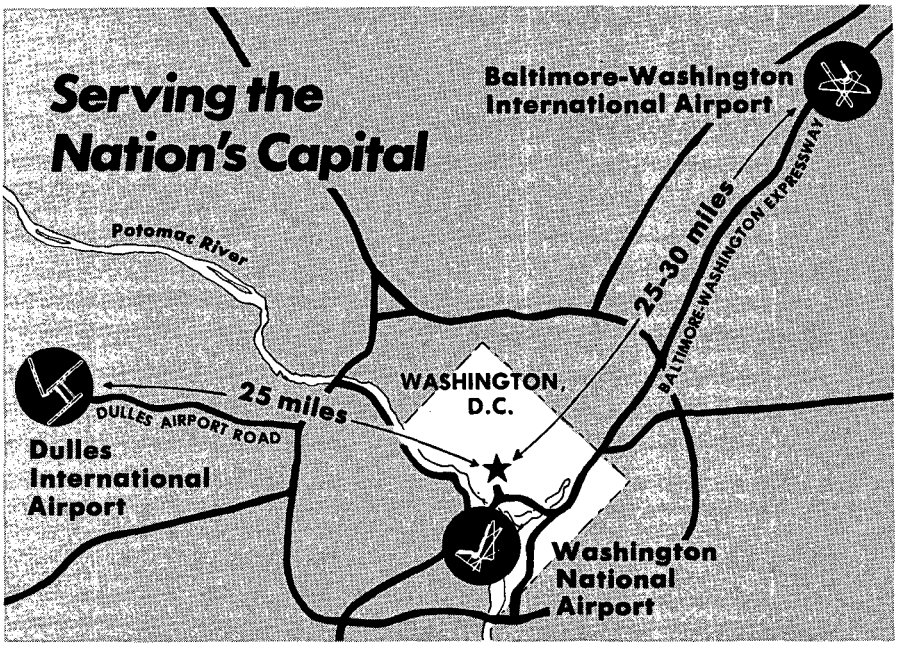
competing, side-by-side airports (Washington National and Hoover), which had begun operations in 1926 where the Pentagon now is.

Baltimore-Washington International, which opened as Friendship Airport in 1950, was built by the city of Baltimore to replace another airport—Harbor Field—which the city had built nine years earlier. (The timing suggests that the city's earlier foresight had been slightly defective.) The state of Maryland "bought" the airport from the city in 1972. It was a typical government bail-out of a losing operation, although in this case, the state was bailing out the city instead of a private entrepreneur. Over-optimistic planning by the FAA made the bail-out necessary. Predicting massive growth in airline operations, the FAA had concluded that *four* airports were needed in the area. The agency said that "even if developed to its ultimate capacity," Baltimore-Washington "would be incapable of handling its share of the traffic after 1965."

To handle the expected crush of passengers, the FAA then built Dulles in the early 1960s, at a cost of $108 million (in 1965 dollars). The complex comprises modern airstrips and a beautiful and cleverly designed terminal with mobile lounges to take passengers to the planes. A 17-mile, four-lane, divided highway—built expressly and exclusively for access to and from the airport—connects Dulles with the Beltway around the Washington metropolitan area.

As things turned out, however, the FAA's foresight about both future traffic and the ultimate capacity of Baltimore's airport was wrong. Not only was a fourth airport not needed, but the demand for both Dulles and Baltimore failed to grow as anticipated. In fact, Baltimore currently has enough capacity to handle nearly twice the number of passengers that now flow through both it and Dulles combined. Simply put, Dulles is a white elephant, a continuing embarrassment to the FAA, and a thorn in the side of the secretary of transportation, whose office is ultimately responsible for the airport's operation.

So here we are—custom and history have conspired to give us three airports in an area where two would do. But is that any reason to complain? The answer is an unqualified yes, for unfortunate results almost naturally flow from government operation. And the case of the federal government's operation of Dulles and National airports provides a clear object lesson of this fact.



When government runs something, it tries not to make a profit or loss along the way. That's not as innocuous as it sounds. By making the revenues from a service cover the costs of providing the service, the price charged to users of the service is simply an average cost (total costs divided by the number of users). Thus, fees in a busy place—where demand is high—will be low, and where demand is low, fees will be high. But customers for any service respond to prices: high prices choke off sales (leaving the service underused) and low prices encourage them (creating overuse of the service). Average-cost pricing has caused these problems at Dulles and National.

Remember that National is preferred by customers, because it is relatively close to downtown by taxi and, for the last few years, by subway. Responding to customer preferences, the airlines schedule as many flights as they can to that popular terminal. The heavier use, then, reduces the average cost (that is, the airport's charge to the airlines that use the facility). Thus, the interests of airlines—more flights scheduled at National mean a lower price to each user of the terminal—reinforce those of passengers in choosing National. And since 1966, when jets were first allowed to use the facility, the airlines have tried to schedule more flights there than the facility can handle. Indeed, for a long time, the FAA has limited National's operations—takeoffs and landings—to 60 per hour and has urged airlines to shift flights from National to Dulles. At the same time, however, landing fees and mobile-lounge charges at Dulles were higher than the fees at National, making the shift of use from National to Dulles even more unlikely.

In 1980, the FAA tried to right the imbalance by temporarily eliminating landing fees and charges for the mobile lounges at Dulles. And, since 1982, the agency treats the two terminals as a single costing unit: the total cost of operating both airports is averaged over the total number of users at both to determine the user's fee. This decreased the fees at Dulles and raised the fees at National. And since the fees are now the same at both airports, airlines no longer have any financial advantage in using National. But the arrangement means that passengers using National now subsidize those using Dulles. Cross-subsidization among passengers is a familiar story in government-run transportation. In this case, a $10-million drop in revenues at Dulles works out to about a $4-per-passenger subsidy there.

But cross-subsidization is not all of the problem. Far worse is that some way has to be found to choose who gets to use the airport among all those who want to. The fact that some potential users must be excluded is also a familiar problem in government. It signals that something valuable—such as the use of a conveniently located airport—is underpriced. When that happens, the typical bureaucratic response is to ration the valuable resource in the name of "fairness," using some rule such as "first-come, first-served."

Since 1966, the FAA has tried several rationing variants at National. Initially, access was limited to airliners flying nonstop no more than 600 miles into or out of the airport. But that rule excluded flights to and from Atlanta and Chicago. Political pressure prevailed, and the limit

By saying Dulles Airport is "underutilized," the FAA means that thoughtless travelers are not using it as much as the FAA had hoped.

was soon raised to 650 miles to include those cities. In 1981, it was raised to 1,000 miles, still in effect today.

Distance rationing has been far from successful, because it has no real basis either in consumer preferences or in the economics of air transportation. The proof is in the absurd spectacle of planes taking off from National, landing at Dulles—some 25 miles away—and taking off again for destinations more than 1,000 miles away, just to beat the system.

Moreover, nonairline users—such as operators of Piper Cubs, corporate jets, and air taxis—claim that, in "fairness," they deserve access to National as much as do commercial airliners. In a political system, the claims of influential, organized groups are treated as legitimate. The FAA has responded by reserving 23 of the 60-per-hour landing and takeoff slots for such operators. If it is absurd for an airliner to hop 25 miles from National to Dulles in order to fly more than 1,000 miles nonstop out of the Washington, D.C., area, how else can one characterize the spectacle of a 150-passenger airliner having to land at Dulles to make way for a Piper Cub to land at National?

Other absurdities, too, spring from obsession with "fairness." For example, when the FAA announced a new "Washington Airports Policy" in November 1981, its stated objectives included encouraging greater use of Dulles, "which has been underutilized," and achieving "a more equitable balance of service between the two Federally owned and operated airports serving the greater Washington area." By saying that Dulles is "underutilized," the FAA means that some thoughtless travelers are not using the facility as much as the FAA had hoped and planned for. And in seeking an "equitable balance," the FAA is trying to *force* airlines and passengers to conform to its hopes and plans. Our government wants travelers to be fair *to the airports*—that is, to the FAA.

Fairness comes up in other ways, too. When the airlines, under the pressure of restrictions associated with the 1981 air traffic controllers' strike, took to selling landing slots among themselves as a way of rearranging their routes, the FAA formally forbade such sales. The airlines were only allowed to *trade* the slots so that the relative wealth of airlines wouldn't determine the allocation of slots. And when Braniff suspended its flights and left some slots unused, the FAA reallocated them *by lottery*. After all, a lottery is "fair"—that is, no one could accuse the FAA of favoritism in allocating routes and landing rights.

No private operator of National Airport would act as the FAA has. Rather than charging the average cost and imposing rules to arbitrarily ration use of the facility, a private operator would charge a market price—all that the traffic would bear. He wouldn't waste a single moment worrying about the "fairness" of that price, or "equitable balance" of use of airports, or whether some otherwise "worthy" users, like air taxis or corporate planes, were being excluded.

A private operator would try to maximize profits. In doing so, he would unintentionally ration National in the most efficient fashion: only those travelers to whom quick access is valuable would use it, while those who cared more for the dollars than for time would use one of the more distant airports. A private operator would treat National as a *business*, not as a political football.

And he would make a fortune at it, too. National is so much more valuable an airport than the others that most passengers would be willing to pay a premium to use it. Indeed, a 1981 study by the Civil Aeronautics Board estimated that even at $16.50 extra *per passenger*, few passengers would choose an outlying airport instead of National. At present, more than 15 million passengers use it per year. Even using a figure more conservative than the CAB estimate—say $15 extra per passenger—that works out to a cool $225 million-plus in *profit*. (Remember, National's revenues now only cover costs, including some of Dulles's costs. Anything in addition is gravy.) And that says nothing about the 23 available slots per hour now being used by Piper Cubs and other nonairline users at charges as low as $4 per landing. If these slots became available for commercial airliners, National's profit could be even 50 percent higher.

Another way of looking at those numbers puts things in better focus. The FAA's failure to collect the proper rent at National means that the taxpayers—who "own" the airport—are giving $225 million per year to the commercial air travelers who use the airport plus an additional multimillion-dollar bonanza to the nonairline users. I call that a gift, just as the Internal Revenue Service would call it a gift if a corporation were to allow a special group—say high government officials—to use a hunting lodge rent-free.

Most of the present complaints about National and Dulles airports would simply evaporate if they were privately operated.

Rent may be a four-letter word, but it serves two valuable functions in resource allocation. First, it forces people to consider competing uses for a scarce resource. National sits on 680 acres of valuable land fronting the Potomac River. Comparable land in the area sells for about $40 per square foot, so National's site would be worth about $1.2 billion. Property that valuable should be getting a return of over $200 million per year (assuming an interest rate of 17 percent). National's projected profitability of $225 million or more suggests that operating an airport may well be an efficient use of the land. If so, however, it is certainly not because anyone planned it that way—governments neither impute rent for their property nor consider alternative uses.

Second, charging rent provides a standard for determining if capital improve-

ments are warranted. And if they are, it provides funds to pay for it. National is short on parking, access roads, and terminal facilities. The CAB suggests, too, that National could accommodate as many as 86 planes per hour—rather than the present 60—by installing more-modern equipment, such as area navigation systems and microwave landing systems. Whether or not to expand, however, should be determined by the relation of the costs and revenues expansion would generate. But National's revenues now go to the Treasury and are not available to finance expansion. The FAA must go through a *political* appropriations process to make improvements, competing with other pork-barrel projects for federal dollars. The "important" criteria of such proceedings are regional "equity" in funds distribution, the level of unemployment in the area, the size of the budget deficit, and so on. It goes without saying that none of those issues should affect a business decision.

Perhaps the most important advantage of selling off National and Dulles airports is that it would remove a major source of irritation for a lot of people. For example, if the FAA sold Dulles, the new owner might well close it down as an airport. That would make the operators of Baltimore-Washington happy. From the very beginning, they felt that Dulles was stealing their passengers and making life harder. The idea of closing Dulles may sound extreme, particularly to FAA bureaucrats. But the place *is* a white elephant—no private entrepreneur would maintain the amount of excess airport capacity that Dulles creates in the area. And it isn't clear why the government should do any different. Dulles's entire passenger load could be shifted to Baltimore without causing more than a ripple there.

In addition, Dulles Airport Road—that wholly dedicated, four-lane, and virtually *empty* divided highway—could be opened to local traffic, easing congestion in the surrounding area. The road is arranged so that cars getting on it going to the airport cannot get off before the airport. Vehicles heading toward D.C., however, can get off the road before reaching town but can only get on the road *at the airport.*

Traffic in the Washington area is so aggravating that some commuters get on Dulles Airport Road in the suburbs, drive all the way to the airport, turn around, and drive *back* to Washington in order to avoid less-good roads. It's as absurd as those planes taking off from National and hopping to Dulles before flying nonstop more than 1,000 miles. Of course, if the road were sold to a private owner, it could be opened as a toll road (probably the only source of profit in the whole Dulles complex).

Selling off National and Dulles might make the secretary of transportation happy, too. When former Transportation Secretary Drew Lewis was asked what were the most difficult problems he faced, he picked D.C.'s airport problem as the greatest single consumer of his time. The secretary of transportation is the focus of all the conflicting interests in the facilities: Local residents complain about the noise and the wasted road. Airlines complain about the allocation of space and time and about the fees charged. Congressmen complain about the administration—personnel policies, behavior of the guards, and so forth. And almost everyone complains about the reservation of parking spaces for high-ranking government officials.

Most of the present complaints about the airports would simply evaporate if the airports were privately operated. The noise complainers, since they wouldn't have to fight with the federal govern-

Taking Off Under Contract

How did a New York municipal airport, over a five-year period, go from chalking up quarter-million-dollar annual deficits to turning yearly profits of more than $1 million? By having its operation contracted to a private firm. Pan American World Services, the contract operator of Westchester County Airport, performed this feat by instituting a number of changes when it assumed control of the facility in 1977.

For example, Pan American renegotiated leases with Westchester's fixed-base operators—sellers and servicers of general-aviation aircraft—to increase revenue. The contract firm also instituted charges for car parking and expanded the airport's landing and handling fees.

Moreover, in an entrepreneurial coup, Pan American managed to attract private investment to upgrade the Westchester airport. One corporation invested $4 million in constructing 30,000 square feet of additional hangar space. Another company, Seagram's, plans to construct a $25-million office-building/hangar complex next year. And several major hotel firms have shown interest in building a hotel on the 800-acre site.

In short, by revamping the major revenue sources of any airport—landing fees, rent on terminal and hangar space, and parking and concession fees—and through creative real-estate management, Pan American was able to work its fiscal magic on the money-losing Westchester facility.

Unlike Westchester, however, few major airports are run as profit-making businesses. Much of the reason for this is that all 400 or so major US airports—those with scheduled commercial airline service—are owned and operated by governments or governmental agencies. And there is little incentive for these operators to make revenues exceed costs: operating deficits are subsidized through a variety of governmental funds, and most capital costs—for new construction and improvements—are funded by the federal government.

While the 150 or so largest and busiest airports in the United States do make revenues cover operating costs, the other major airports typically operate at a deficit. And many airport operators—employees of government agencies—insist that most airports must be subsidized. But the example of Westchester County Airport, under the management of profit-making firm, brings that bureaucratic assumption into question.

And the Westchester airport is not a unique story. Pan American itself manages several other airports, including one in Teterboro, New Jersey. Under its previous manager—New Jersey's port authority—Teterboro had suffered chronic half-million-dollar annual losses. Now, under Pan American's management, Teterboro makes money.

Among Pan American's many revenue-enhancing changes at Teterboro was, for instance, the computerization of landing-fee collection. Rather than send a driver out to each aircraft landing at the airport to collect the fee, a stationary observer

The FAA's failure to collect rent at National Airport means that taxpayers give $225 million per year to commercial air travelers.

ment, would actually have a chance to get their case heard in court. Area residents might even stop complaining altogether if the community were to collect taxes on the land—which the federal government does not pay—and use the revenues to reduce the real-estate taxes of those who now suffer from the noise.

The airlines would almost certainly stop fighting about the allocation of landing rights, fees, and ground facilities. Since politics would no longer have anything to do with those issues, the airlines would treat them as business decisions.

Congressmen might still complain, but even that is questionable. If National were not a federal establishment, congressmen might find themselves happily relieved of an unwanted burden. (What is almost certain is that no private operator would ignore them. While reserved parking for congressmen at National would probably remain, it would no longer be the kind of public affront that it is now. Every consideration congressmen now get from the airport-operating bureaucracy is seen as an abuse of power.)

The case against government operation of Dulles and National is open and shut. And yet, for 16 years, since National was first rationed because of overcrowding, there have been essentially no changes in policy. I quote from a letter I received last year from the Office of Management and Budget (OMB) when I suggested that more-rational landing fees at FAA-operated airports would both improve resource allocation and raise revenue:

As you are aware, determination of landing fees is closely related to the issue of allocation of landing slots. Alternative methods of allocating slots have been the subject of much study at the Department of Transportation, culminating in the publication of a Notice of Proposed Rulemaking (NPRM) in the latter part of 1980. One of the alternatives set forth on the NPRM, using an auction-type process to allocate slots, is consistent with your suggestion that landing fees reflect the value of services provided. . . . The appropriate mechanism of allocating slots and establishing landing fees is of interest to this Administration. Your thoughts will be helpful as the issue is given further consideration. Thank you for taking the time to convey them to us.

I have received similar responses from the OMB and the FAA on the many occasions since 1966 when, as an OMB staff economist, I first got involved with the issue. It is the standard "don't bother me with your 'impractical' ideas" letter you get when you send crank letters to important government officials. They don't want to think about correcting errors, even gross errors in policy, just to make their operations more efficient.

This last little tale is not intended as a complaint about my having been mistreated. The moral, and the moral of what I have written here as a whole, is that government is inherently handicapped when it comes to running a business. Even if it adopted some of the practices of a profit-oriented business, it would still be bound by bureaucratic rules and political incentives. And we could count on it to find new ways to be inefficient.

To run an operation efficiently, as a private operator would run it, requires a private operator to do the job. Trying to get the government to seek efficiency by *imitating* a private operator would be like putting artificial legs on a legless man and then asking him to run the 100-meter dash in the Olympics. It would be better than asking him to run the race with no legs at all, but don't expect him to come in anything but last. ◻

Paul Feldman is director of the Public Research Institute of the Navy Department's Center for Naval Analyses. This article is based on a paper delivered to the Transportation Research Board in January and does not necessarily represent the opinion of the Department of the Navy.

simply enters the aircraft's identification into a computer for billing later. Peter Soderquist, Pan American's manager of marketing and sales, says that bad debts on this system run at only half a percent of billings. Computerization eliminated the old system's six employees and two cars, thus bringing down operating costs. Indeed, in taking over Teterboro, Pan American was able to reduce the airport's staff by half.

The management of two airports owned by New York state—Stewart (near Newburgh) and Republic (in Farmingdale, Long Island)—were contracted out earlier this year to Lockheed Air Terminal, a subsidiary of the aircraft manufacturer. Under the management of the Metropolitan Transit Authority—under whose operation New York City's subways are crumbling and losing money—both facilities suffered rising deficits. Contract management, it is hoped, will reverse that situation. Indeed, Lockheed's contracts for Stewart and Republic are modeled after Pan American's Westchester contract.

Lockheed stands out in the chronicles of American airports: for 40 years the firm not only operated but owned an airport in Burbank, California. Major airlines served the facility, which handled a flow of 2 million passengers a year. But because of discriminatory government policies—not least of which was the extensive subsidization of publicly owned airports—Lockheed's profits had shrunk to unacceptable levels by the late 1970s. So in 1978, the firm sold its Burbank airport to a group of municipalities. Now under contract, Lockheed still profitably operates the airport for these municipalities.

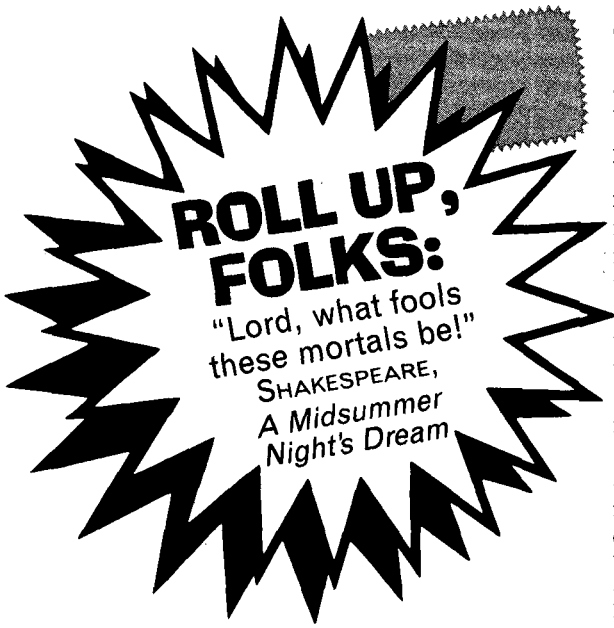
Among the few other US municipal airports under contract management are two in Texas—in Addison (near Dallas) and in Galveston—and one in Morristown, New Jersey. But contract management of airports is not restricted to the United States alone.

In the United Kingdom, for example, International Aeradio Ltd. is under contract to provide a number of technical and support services at Liverpool Airport—and saves the airport money doing it. IAL holds a contract to provide communications services at the UK's Bournemouth-Hurn Airport, as well. The same firm manages a number of government-owned airports worldwide, including facilities in Malaysia, Gambia, Zimbabwe, and the Seychelles. —E.M.

Ads for Sale

(Continued from p. 31)

lope or C. P. Snow is not 'original with myself.' But is it not rather absurd to conclude from this that it is less important than, say, the need for education? Public education, indeed, seems to regard it as one of its tasks to instill a taste for literature in the young and even employs producers of literature for that purpose. Is this want creation by the producer reprehensible? Or does the fact that some of the pupils may possess a taste for poetry only because of the efforts of their teachers prove that since 'it does not arise in spontaneous consumer need and the demand would not exist were it not contrived, its utility or urgency, ex contrivance, is zero?' "

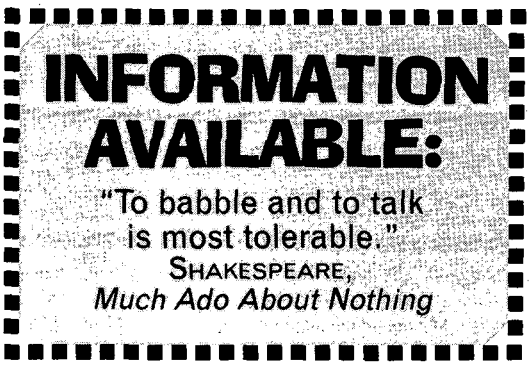


FEW MOTORISTS navigating a railway crossing wish to collide with a train. They are genuinely grateful for information that a train is coming. And it is a clanging, flashing message that thrusts that information upon them in a way that cannot be overlooked. The desire for information about whether a train is coming, it then would seem, is not sufficient to ensure that motorists would seek out, notice, or heed a clearly visible, but tastefully discreet, signal.

Similarly with advertising. A producer may manufacture a commodity he reasonably believes will please the tastes of many. The commodity was created to help consumers satisfy their tastes and attain some of their desires—and of course, by selling well, to enable the producer to satisfy his desires. The producer believes that, after examining the commodity, consumers will purchase the commodity rather than other goods they value less. If the producer is right, there is every reason to be confident that consumers will appreciate information about the existence and nature of the commodity and further information about where they can purchase it.

Yet this is no guarantee that consumers will diligently search out such information. The situation is precisely the same as that of the railway crossing: the desire to avoid collisions does not mean that motorists will seek out a discreet sign warning of the impending approach of a train. The advertiser has to ensure that a certain commodity possesses the quality of being "obviously available." He has to thrust his advertising message at the consumer. Most advertisements are less obtrusive than the clanging, flashing railway-crossing sign, but they are deliberately created to solve the same problem: human laziness or inattention or preoccupation with other matters.

The suggestion that the advertiser's attention-grabbing devices can benefit the consumer is made in all seriousness. A producer manufactures a commodity because he has noted, or believes he has noted, an "information gap" in the market. Consumers have indicated a willingness to exchange a given sum of money for a commodity satisfying certain needs and desires. The suppliers of raw materials and skills that will produce that commodity have indicated a willingness to sell their goods and expertise for a sum considerably lower than that proffered by consumers. By organizing suppliers and workers and bringing the resulting commodity to the attention of consumers, the entrepreneur-producer bridges an information gap and makes it possible for all parties, himself included, to exchange what they value less for what they value more. Yet he must break the stubborn barrier of consumers' laziness and habit and other interests.



LITTLE HAS BEEN SAID directly about the usually cited "virtue" of advertising: that it provides information about available commodities. Consumers do need to know what commodities are available and where. Yet to separate information about commodities from the chain of production creating known and desired commodities is to lose sight of the peculiar functions of advertising. (Such separated information *is*, of course, valued by some, and sources like *Consumers Research* exist to satisfy these consumers.)

While advertising does communicate valuable information about commodities, its primary functions are to *create* certain qualities of a particular commodity and to *persuade* consumers to evaluate a product that, in the judgment of its producers, satisfies existing wants in a new or more satisfactory way. These creative and persuasive functions have value for the consumer quite apart from the information that advertising also makes available.

The opponents of advertising are puritans, tormented by the distressing thought that someone, somewhere, might be happy. They condemn the masses' tastes as shoddy, their values as ugly, their pleasures as trivial, and their enjoyment of earthy, concrete things as materialistic. They are terrifyingly confident in the privileged status of their own tastes and preferences and see nothing amiss in imposing these upon their fellows.

They do not like the free market. Indeed, they are ill at ease in any market, for markets are vulgar places. Vendors shout about their wares. Shoppers squeeze the oranges, prod the tomatoes, and otherwise test the merchandise. Buyers and sellers frequently meet and make the exchange each desires only because of gaudy, obtrusive signs or blaring, ear-shattering amplifiers. It is all very noisy, all very chaotic, all very inelegant.

Yet it works. And at the core of any market is a childishly simple transaction: in the absence of coercion, two people make an exchange, and each party to the exchange acquires what he values more for what he values less. Each finds pleasure in what he acquires. And the observing puritan laments those shoddy values and inappropriate pleasures. He yearns to refine and correct them.

Let him. Let him set up his shop, advertise his views, and peddle his tracts. But beware that he does not opt for the easier path of silencing the voices, pulling down the signs, and destroying the goods of those he so despises. ◻

John Williams teaches classical civilization at a college in Australia.

America's Tragic Mistake

The welfare state was created just as the "need" for it was disappearing.

BY RICHARD CORNUELLE

In the 50 years since the Great Depression, history has discredited the principal premises on which the modern welfare state was built. America has created a giant, monopolistic public-service conglomerate by mistake, built on a series of interlocking misapprehensions.

It was the central premise of British economist John Maynard Keynes, and later of President Franklin D. Roosevelt, that the American economy had reached maturity, that there would henceforth be a chronic shortage of jobs and a chronic surplus of capital. But history has proved that premise and its corollaries dead wrong. Today it is clear that Keynes's work is most deficient in the quality he most wanted for it: the principal propositions of *The General Theory of Employment, Interest, and Money* are not general.

Joseph Schumpeter wrote in 1946, the year of Keynes's death, an appreciative but brutal summation of the mind and meaning of Keynes. The economist was, he said, "surprisingly insular." His advice, Schumpeter pointed out, was always English advice, yet Keynes "always exalted what was at any moment truth and wisdom for England into truth and wisdom for all times and places."

England's situation after World War I was unique. The country was broke. Its weakened social fabric, as Schumpeter said, had become rigid. Taxes and wages were too high to permit rapid reconstruction of the economy. Keynes believed that to return to the gold standard at prewar parity would be suicidal. (Gold, he correctly told his friends, would soon be reduced to the status of a constitutional monarch.) And so he prescribed monetary management.

Keynes's model makes sense only if—and it is a towering "if"—the industrial plant remains static; if, as so many believed during the '30s, the economic point of no return has been reached. But industrial *change*, the creation of new plants built on new technologies—the phenomenon that has most distinguished 20th-century capitalism—is a concept beyond the reach of the Keynesian model, with its assumption of stagnation.

Keynesian economics as presented in *The General Theory* is, as Professor Hicks contends, the economics of an era of depression. It is an economics of special cases. Schumpeter

wrote: "Keynesians may hold that these special cases are the actual ones of our age. They cannot do more than that."

Today we know that what was taken for chronic stagnation was in fact temporary, that the economies of Europe and America were not mature but barely adolescent. The Keynesian edifice, which posited this "maturity" before the air age, before the computer, before microwave transmission, before the laser, before space travel, before automation, before robotics, rested on a false foundation. Keynes and the Keynesians had mistaken the late dawn of the industrial era for its twilight. And, as a result, the potentially healthy American economy has been under intensive care for nearly 50 years.

The fragility which the American economy showed during the '30s was not, as was so widely assumed, a reflection of an inherent weakness. It was a temporary condition induced by mistaken public policies. There is no solid consensus on what caused the Crash of '29 and delayed the recovery, but there is a near consensus on what did not. Whether the Great Depression was the result of a deliberate reduction of the money supply that asphyxiated the economy, or was caused by the imposition of a mercantilist tariff policy that suddenly shut off foreign markets when they were needed most, or was induced by some combination of these and other factors, is still being debated.

In the early '30s, the Federal Reserve allowed the money supply to contract by 30 percent over a period of several years. Economist Gottfried Haberler reminds us that today economists tremble when the money supply fails to increase by some targeted amount. During the Great Depression it *fell* nearly a third. Moreover, in 1932, the Hoover administration nearly doubled income taxes, increasing the top-bracket rate, for example, from 24 percent to 63 percent. And later, by raising bank reserve requirements, the Federal Reserve may have induced the steep slide of 1937.

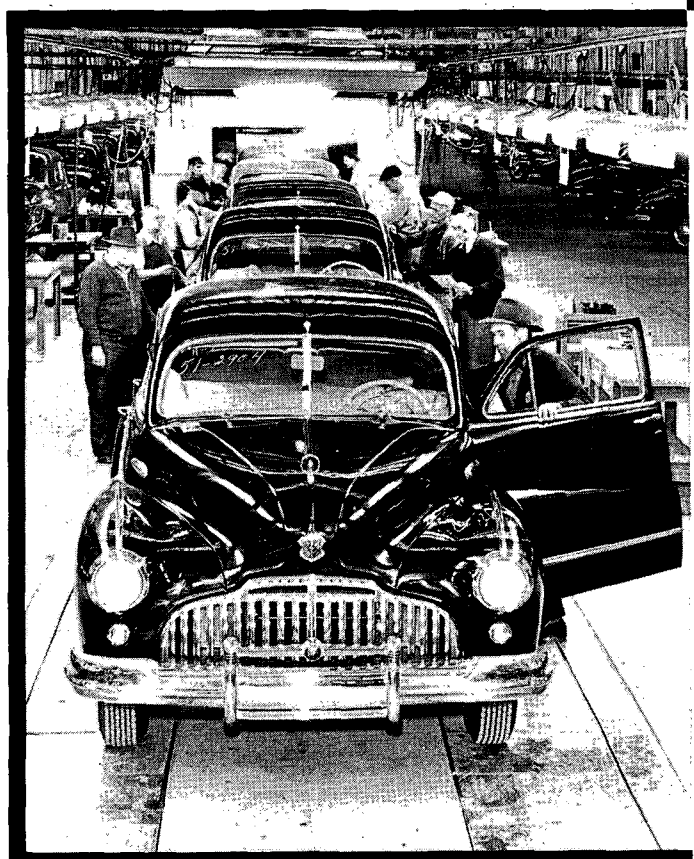
To make matters worse, Congress passed the Smoot-Hawley tariff, history's highest, in 1931. A staggering number of economists for that time, 1,028 altogether, vainly urged the president to veto the bill. In an open letter to the *New York Times*, they warned that stifling trade would never create employment. To some unknowable extent, Smoot-Hawley helped prolong the Great Depression.

There is an unmistakable tendency for economic activity to follow a cyclical course, to ebb and flow, and scholars are forever scrutinizing the evidence in search of patterns and chains of causation. But logic and experience suggest that, in the absence of central intervention, this rising and falling does not tend to be cumulative, but self-correcting. The Great Depression was clearly not a natural disaster but an artificial one.

Today we are able to question the cocksure conventional wisdom of the postwar period which says that World War II "cured" the Depression. It seems far more likely that Pearl Harbor merely suspended the prevailing prejudice against production. Temporarily freed from the fear that they were destroying their jobs, men and women began to produce wholeheartedly again.

Before the mobilization began, there had been an all-out effort to limit production, to plow crops under, to "spread the work," to push men and women out of the labor force. Overnight, that attitude was turned inside out as patriotism triumphed over economic superstition. Attempts to limit the work week gave way to efforts to extend it. Factories painted their windows black and worked around the clock. Retired persons rejoined the labor force by the tens of thousands. There was again, as there had been for decades, an acute labor shortage. Twenty million women went to work, many in jobs that had formerly been defined as off-limits for them. Teenagers were let out of school to harvest the crops. Factories proudly flew "E" flags awarded for high productivity.

Two days before the Pacific War ended, a Washington newspaperman warned that 10 million workers would be out of work in a month. A few days later the War Production Board predicted 7 to 9 million unemployed by Thanksgiving. The *New York Times* said that the "best" government and private sources predicted 8 million unemployed by spring 1946. Even the *Wall Street Journal* saw 6.2 million unemployed by the end of the year.



Demand for consumer items, like these Buicks, spurred the postwar economy during a time of declining federal spending.

But the estimates of postwar unemployment had to be revised almost immediately. In December 1945, just as the House passed its version of an Employment Act, the *Times* reported that the official estimate of spring unemployment had been reduced from 8 million to 5 million. President Truman had to admit that unemployment was not "so serious or drastic" as his advisers had predicted.

Vice-President Henry Wallace, in a popular postwar book, called for a continuation of wartime spending levels to put 54 million to work—a goal considered irresponsibly utopian. Twelve months after V-J day, employment had exceeded 57 million *without* the therapies suggested by the Employment Act.

The reconversion provided astounding evidence of an economic vitality which so many had come to believe had been lost. First came the basics: fuel, clothing, and food. In the Southwest, oil, cotton, and cattle became the basis for a boom

Photograph from the Bettman Archive

that is still going on.

There was pent-up demand for familiar prewar products—automobiles (by 1949, the industry finally exceeded 1929 production), radios, and refrigerators. There were also dozens of new products.

The war ended on August 14. By November, the Edison Electric Appliance Corporation, using methods learned during the war, had converted from making armor-piercing bullet cores to the manufacture of fully automatic dishwashers—at a third less than prewar prices. This was one example among thousands.

This adjustment, which contradicted a practically unanimous pessimism, was accomplished during a massive reduction of federal spending. In fiscal 1945, the federal government spent more than $100 billion. The decline was four times as much as *total* federal spending just six years before.

By VJ-Day, the federal government was consuming almost half the gross national product. Between 1945 and 1946 the figure fell from 42 percent to 12 percent, and a year after that it fell still further. Yet the belief in the hazard of high productivity has persisted with awesome tenacity. The fear that the supply of work may someday dwindle and disappear still expresses itself in dozens of ways.

Work rules continue to outlaw efficient methods and mandate obsolete ones. Workers rarely attack machines anymore, as Luddites did in the early 19th century, but they cripple them by limiting their use or canceling their advantages, as when standby musicians must be paid when recorded music is used in a Broadway theater. Without the Luddite rationalization, practices like these would be seen as simple extortion.

The economy still struggles against high productivity—even as American producers lose markets to foreign competition. Thus, the belief that an economy is prone to decline causes it to decline. There are men and women still living who can remember the days when employment opportunities seemed inexhaustible, when there was an abiding shortage of labor. The Old World exported its unemployment to the United States. The capacity of the American economy to put people to work was not feeble and tentative but surging and insatiable. We offered work to millions, many unskilled and illiterate. Unemployment, the existence of a pool of men and women who wanted work, was not seen as a social burden to be dealt with dutifully and sacrificially. Workers were scarce and sought after: the system wanted and welcomed them.

But the Great Depression, however mistakenly, changed all that. There was and is a tenacious fear of a chronic labor surplus. We began to ration work, to look for reasons to exclude people from it. And the impulse survives. Young people, for example, are still banned from the work force, often at the peak of their innocent audacity and enthusiasm. "Child labor" is perceived as the ultimate outrage, but the root of the antagonism to it was the fear that children would take jobs men needed to feed their families. It is not proposed that six-year-olds be obliged to work from dawn to dark in mines or mills. But to exclude young people from the serious work of the world because of an exhausted supposition that there is not enough work to go around is grossly unfair to them.

The Luddite impulse persists, as the expectation of a labor surplus leads to policies that produce an apparent labor surplus. In 1982, it was proposed to relax the restrictions on 14- and 15-year-olds for the first time since the Great Depression. The new rules would have permitted these young people to work 6 more hours a week, when school is in session, to a total of 24 hours. It would have opened certain kinds of work now forbidden: the operation of switchboards, teletypewriters, and data-processing equipment, filling orders in warehouses, and polishing trucks and buses. The AFL-CIO protested. "At a time when their older brothers and sisters cannot find work," President Lane Kirkland told the press, "it is preposterous to lower the working rules for school-age youngsters."

In the same way and for the same reason, older people are arbitrarily shelved regardless of their preference. Bismarck chose 65 as the retirement age when he was setting up his social security system because so few people in that era lived that long. If, in the 1880s, it excluded people unnecessarily from the work force, the numbers were very small. But since then, life expectancy has nearly doubled—and millions of able-bodied older men and women spend decades in a retirement forced upon them by the folklore of chronic stagnation.

The social security system was conceived at a time of a presumably critical capital surplus. Thus, unlike private pension plans, its premiums were not invested. Beneficiaries were to be paid not from accumulated reserves but from the current contributions of the working population. This method, which pushed the cost of benefits forever forward to future generations was, curiously, called a pay-as-you-go system. Now, this financing method seems scandalously improvident. But the Depression mentality would have been incapable of selecting a method that would have added capital to an economy which seemed to be suffering from a severe and disabling abundance of capital. The idea of capital shortage was then scarcely imaginable.

These and other anomalies have contributed to a gathering recognition not only that the accepted economic diagnosis of the Depression era was mistaken but also that policies based on that diagnosis created the very conditions they were designed to remedy. The euthanasia of the rentier was premature and ill-advised.

Of all the conclusions drawn from the Depression experience, the ones least examined were not economic but social: that independent institutions were inherently incapable of dealing with the problems of the industrial era and that full employment and retirement security had to be provided by the central authority if they were to be provided at all. There is no question that, after three years of Depression, these assumptions seemed sound. The independent sector, the network of voluntary institutions and practices through which Americans had acted on most of their common concerns for 150 years, did not in fact provide adequate stability and security during the grim years of 1929-32. But that did not mean that it never could.

The modern welfare state is in a sense the product of a misunderstanding, compounded by some cruel accidents of timing. Wilhelm Röpke, the Swiss political economist-philosopher who was the intellectual godfather of the post-World War II German economic "miracle," described this central paradox of the modern era: *what we call the welfare state grew most rapidly after the need for it had largely disappeared.* The large-scale need for social assistance resulted from a highly

specific, ephemeral circumstance. As industrialization progressed, the old preindustrial patterns of mutual support disintegrated. The individual became a bewildered, dependent, isolated member of the new industrial proletariat, a refugee in his own society.

"The paradox," Röpke wrote in *A Humane Economy* (published in English translation in 1960), "is that the modern welfare state carries to an excess the system of government-organized mass relief precisely at a moment [he was writing in the late 1950s] when the economically advanced countries have largely emerged from that transition period and when, therefore, the potentialities of voluntary self-help by the individual or group are greatly enhanced." Massive state intervention was merely an expedient, made necessary by a society that was changing radically but unevenly, whose economic institutions were adapting more slowly. We were suffering from an acute, though probably temporary, institutional lag.

The expedient of state assistance, Röpke wrote, "was necessary as long as most factory workers were too poor to help themselves, too paralyzed by their proletarian position to be provident, and too disconnected from the old social fabric to rely on the solidarity and help of genuine small communities." Today, the industrialized nations have advanced well beyond that stage, and "the welfare state has outlived its necessity. . . . it derives its origin and meaning from the conditions of an all but finished transition period of economic and social development."

But what Röpke could see in the late '50s as a difficult transition was seen in the '30s as a possibly terminal illness. After three years of stagnation, the American economy was perceived as being permanently disabled. Most Americans did not see the society's independent institutions as experiencing an adjustment; they saw them in ruins. It was easy to believe that a maturing economy had produced problems that were beyond the reach of independent institutions.

Just as the economic diagnoses fulfilled themselves—the belief in stagnation producing stagnation and the belief in labor surplus producing labor surplus—the social diagnosis became self-fulfilling. The universal assumption that the independent sector could not adapt to the needs of an industrial society guaranteed that it would not make that adjustment. The state quickly monopolized the public business. Thus, the independent sector was doomed by a limiting definition to perpetual adolescence. By the 1980s, American pluralism had almost disappeared, and our society's perception of itself had become grossly distorted.

In every major period in the history of science, a certain model, or paradigm, of the universe has been widely accepted. This dominant paradigm provides a framework for understanding the workings of the physical world. Scientists work to fill in the details by observation and experimentation. Some of the facts they find fit the paradigm, or seem to; others do not. Any divergence of fact—of reality—from the model creates a certain strain. When it becomes too great, a *scientific revolution* occurs. Scientists renounce the old paradigm and adopt a new one. The investigatory agenda is radically revised. For centuries, for example, the Ptolemaic cosmology was the dominant scientific paradigm. In time, in a painful upheaval, it gave way to the Copernican model.

Sheldon J. Wolin, in his splendid essay "Paradigms and Political Theories," has suggested that, in a similar way, social decisions are shaped by a dominant social paradigm. A society has a self-image, a set of widely shared beliefs about how it sets goals and gets things done, about where its strength resides, about its structure and the relationship of its parts, about how responsibilities are defined and distributed. In other words, Wolin says, a society "believes itself to be one thing and not another."

As with scientific paradigms, there is an abiding tension between reality and the prevailing social paradigm. When the divergence creates too great a strain, a conceptual revolution occurs. People repudiate the old social paradigm and embrace a new one. The new paradigm suggests a new way of looking at and understanding the world and provides a fresh blueprint for social renovation.

Wolin has found throughout history an intimate relationship between social crisis and innovative social theory. When societies begin to break down, when institutions begin to totter and authority to decompose, a search begins for a new paradigm, a new and imaginative "representation of what society would be like if it could be reordered." Constructive change begins when people begin to imagine an alternative.

In the 50 years since the Great Crash, we have come to accept a holistic, corporatist social cosmology with an all-embracing state at the center. Whatever happens is the business of the state; if other institutions exist, they are subordinate to the state. Institutions outside the state draw their legitimacy from the state, must justify their existence to the state, exist at the pleasure of the state. The state *is* the society. What is unofficial is illegitimate. Thus, private education, for example, is called "divisive"; its existence undermines the state. The idea of community is expressed only through the state.

What the state does "works" by definition. What the state does not do does not fit the paradigm—is unreal, or less real. Thus, any reduction in the size of the state diminishes the public good. As a black judge, A. Leon Higginbotham, said at Yale in the spring of 1982, "Anything that talks about a dilution of federal involvement can be translated as a reduction of resources, particularly for the weak, the poor and black."

The intellectuals in National Socialist Germany believed that local governments were redundant because there was no longer any distinction between the people and the government. Leninists have contended for years that there is no need for independent trade unions because the party is the embodiment of the working class.

When a Brooklyn family and their friends began to spend their Saturday mornings scrubbing a filthy Williamsburg subway station, they were ordered to desist. The head of the Transport Workers Union said that if the Transit Authority did not do the work officially, it should not be done.

But in this country and elsewhere, this monolithic, corporate social paradigm can no longer contain or explain social reality. People are beginning to realize that a large and growing fraction of social reality exists separately from the state, is beyond the reach of the state, is largely incomprehensible to the state and unresponsive to the only methods of coordination available to the state. There is a gathering awareness of how much work is done, not because of the state, but in spite of it and hence how much of society's future will be shaped outside the state. ◻

Richard Cornuelle is the author of Reclaiming the American Dream *and* De-Managing America. *This article is excerpted from his new book,* Healing America, *published in August by Putnam's.*
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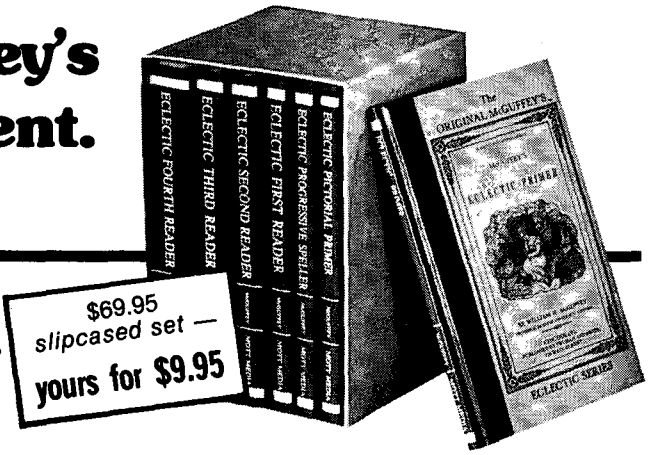

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VIEWPOINT

Coupon Caper

BY MURRAY N. ROTHBARD

The poor things who run the Department of Energy face a terrible dilemma. Nine years ago, at the height of the First Great Energy Shortage, the federal bureaucrats rubbed their hands in glee and got set for that favorite of all statists when faced with any shortage—rationing. In the name of a spurious "fairness," rationing imposes a totalitarian scheme of allocation upon the citizenry, usually compelling equal shares of the product but tempering that equality with special advantages for farmers, war workers, government bureaucrats, and other darlings of statism.

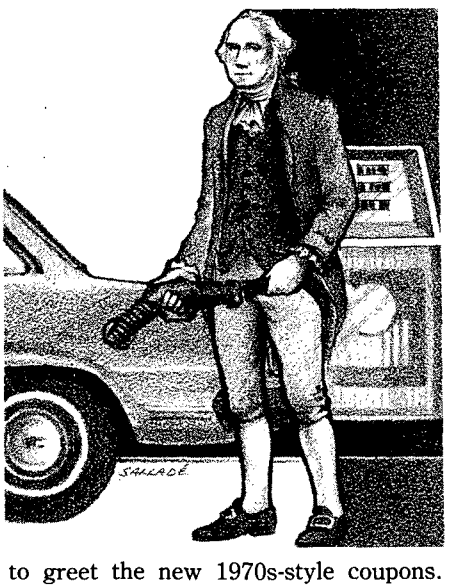
So the federal government cranked up its machinery, spent over $10 million, and printed 4.8 billion gasoline rationing coupons—and waited. Meanwhile, the bureaucracy happily debated what *kind* of rationing would be imposed.

During the mid-1970s, the orthodox held out for the type that old-timers knew and loved during World War II: everyone was issued a coupon for a fixed amount of gasoline per week—munificent A-coupons for government bureaucrats and war workers, C-coupons for the average sucker, etc. Not only did such rationing, along with price controls, create severe and unnecessary shortages, but scandals abounded as sharpies and those in the know were able to wangle A-coupons while the rest of the citizenry suffered. Newspapers delighted in printing photos of racetrack parking lots filled with cars sporting the exclusive A-coupon.

The more-progressive bureaucrats of the '70s, however, argued that a bit more freedom should go into the next orgy of gasoline rationing. Everyone would still be issued coupons, each with a fixed quota of weekly gasoline attached. But whereas the World War II-style coupons were strictly nonnegotiable, these new coupons would be negotiable and saleable in a legal "white market." If the coupon entitled you to, say, 20 gallons a week, you could buy one or more coupons from fellow citizens at whatever price would be set by the interplay of supply and demand.

And so a little bit of freedom was to be permitted within the matrix of a rotten situation. The scheme must have been dreamed up by some economist. Me, I prefer the old-style black market. It is freer and basically more honest, if (alas) illegal.

After the billions of coupons were printed up, well-founded rumors hit the government that the alleged Mafia or its moral equivalents—people who had proven their mettle during World War II by printing and selling undetectable counterfeit coupons—were getting ready



to greet the new 1970s-style coupons. Horrors! But, as the *New York Times* recently put it in its inimitable *serioso* style, there were "reports some years ago that potential counterfeiters of coupons had been discovered with engraving plates."

But shucks, the opportunity to test these alternative scenarios never came to pass. The promising Energy Shortages of 1974 and 1979 both disappeared rapidly as soon as price and allocation controls were lifted, and for the last two years everyone has shifted quickly from complaints about the imminent disappearance of energy to howls about an energy "glut."

And what about those 4.8 billion stillborn coupons? Well, they are now a-molderin' in quonset huts at an Army depot in Pueblo, Colorado, all 2,000 tons of them. The problem is that even if another Energy Shortage were engineered on some glorious day in the future and the bureaucracy had the will to ration, these coupons could no longer be used. The paper has deteriorated, the metal straps binding the coupons have broken down, and several million coupons have either disappeared or are simply unaccounted for. Thousands of private citizens around the country may be sitting on hoards of lost or stolen coupons, waiting for gasoline rationing to pounce.

So why doesn't the Energy Department just dump the coupons somewhere and forget them? Out of the question, for the US Government unaccountably goofed. It seems that the coupons all bear a picture of George Washington that is almost identical to the sacred portrait on the $1 bill. Hence, bill-changing machines will respond to the coupons, and circulation of them would be a heck of a mess. Besides, there are all those Mafiosi out there lying in wait with their illegal engraving plates at the ready. The useless coupons must therefore be kept under constant tight security.

Ordinarily, the government would burn the pesky coupons, as the Federal Reserve does with old money. But, as one official pointed out, "the big problem is transportation." It would take 100 trucks to transport the billions of coupons to the burning ground, and only four to six trucks a day can be moved under the requisite tight security. Recycling seems to be out for some reason. According to an article in the *San Francisco Chronicle*, Deputy Assistant Energy Secretary Ronald L. Winkler, the person now in charge of the mess, is distraught. "I just want to get rid of the damn, darn things," he said.

Well, well. Perhaps suggestions are in order. What in the world can the government *do* with the darn things? Somehow, obscene suggestions come readily to mind. If these are considered unseemly, maybe a huge bonfire could be made of them *and* the quonset huts.

If any REASON readers have some bright ideas on just how the Department of Energy can dispose of the 4.8 billion unwanted rationing coupons, I'm sure Messrs. Winkler and Sacks would be delighted to receive the advice.

Murray Rothbard is a professor of economics at Brooklyn Polytechnic Institute of New York and the author of numerous articles and books on economics, history, and the libertarian movement.

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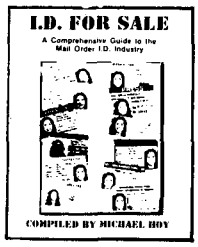

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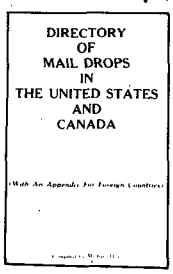

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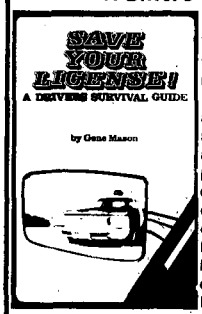

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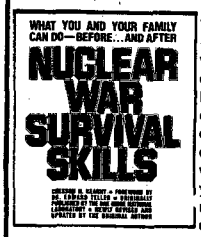

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Stalking the Wild Audit

BY TIMOTHY CONDON

The Internal Revenue Service audit is a unique instrument of government power in American life. Virtually all governments have a need and desire to intimidate the people who live under them. Dictatorships, communist and otherwise, have an especially great need to terrorize their populations, lest the people rise up to destroy their oppressors; thus the secret police, the midnight knock on the door, the "private interrogations."

The US government, on the other hand, has traditionally had less need for such devices to stun and stupefy the American people. When laws have gone largely ignored—the prohibition of alcohol and marijuana spring instantly to mind—the government has generally stumbled along cursing constitutional protections, until lawmakers are elected who have the courage to change the laws.

But taxes, the lifeblood of the state, are different. Even when the masses begin to circumvent or revolt against obscene tax loads—as is happening today with the growth of the subterranean economy—no one, but *no one*, in government is going to change fundamentally the equation of mass confiscation. I mean, those people didn't spend all that time and money to get into office so they can then prevent themselves from enjoying the fruits of their labors. No way! Ronald Reagan's rhetoric notwithstanding, no politician (with the rare exceptions of some "cranks" who read the Constitution) is truly interested in dramatically shrinking the take of government.

Hence the need for our own version of the "knock in the night." It is the much-dreaded income tax audit. It's not truly terrifying like the secret-police counterpart, but it does give the federal government a chance to flex its muscles in front of absolutely any American it wants to. The audit allows Big Brother to delve into your personal life, force you to prove your compliance with laws that are totally incomprehensible, fine you, inconvenience you by using your time, etc. Good stuff, for those who can't have the fun of real, iron-fist intimidation.

But there are only two teeny little things I want to tell you about audits. First, an audit letter should be greeted with joy, especially if it's the first time you've ever had the opportunity to go through it. Second, sadly, your chances of being audited, *especially* if you make less than $50,000 a year, are miniscule.

Now why would anyone say that an audit should be heartily greeted? Because it gives you an opportunity to see how the system works, to get into "the belly of the beast" and find out that—voilà!—it's not really all that terrifying!

You see, the IRS and related functionaries spend a lot of time and thought and energy *trying* to scare Americans. Their audit strategy—*whom* they audit, *when* they audit, *where* they audit—is designed to *maximize fear*. But when you get a chance to step right in there and see the offices, argue with the "secret police," go through the whole procedure, you find that it's not all that bad.

And what's more—this is the good part—if you've been even slightly discreet, the IRS generally turns out to be the proverbial paper tiger. Oh sure, they can sometimes make you give back deductions, and they'll tack on interest. Added penalties and fines are often a possibility, especially when they *want* you. But by and large, it's only money, and the important thing to learn is that there is no real physical danger. This is *bureaucracy*, man. So stop feeling and acting like they're going to break your elbows and tear off your kneecaps.

Besides, I never let them assess extra costs against a client without dragging them endlessly through each and every appeal procedure that is economically feasible. Keep in mind that they want a passive, fearful taxpayer, not someone who's going to scratch, bite, and claw every legal step of the way. And all that for what's usually peanuts, in the case of us working types.

There is the sad side of all this, however. You're probably not going to have the opportunity, *ever*, to tell your friends how easy and, really, unterrifying the whole thing is, because you probably won't go through the experience. If you make less than $50,000 a year (as do about 94 percent of us), the chance of your romping and stomping through an audit was 3.17 percent in 1981 and only 2.9 percent in 1982. Moreover, the chances you'll be audited are actually decreasing, partly because even politicians are loathe to have to explain to their constituents why they voted to increase the swarms of bureaucrats to gnaw at our sustenance.

If you made less than $25,000, your chances of getting audited in 1981 were 3.13 percent, and last year, they were only 2.4 percent. And get this: those last two figures, small as they are, pertain only to people who itemized deductions on the Schedule A. If you made under $25,000 and *didn't* itemize (the IRS loves those types), then the percentages of returns audited go down to 0.61 percent in 1981 and 0.57 percent in 1982. Even if you're a "fat cat" who made over $50,000, in 1981 you had a mere 7.83 percent chance of being audited and 5.68 percent chance in 1982. And then you probably had a CPA or lawyer go in and abuse the IRS *for you*. I love it!

So the message for all you scaredy-cats out there is, stop sweating it so much. The IRS and the federal government *want* you to be fearful. Make no mistake about it, the IRS is an agency that regularly attempts to trample our rights generally and constitutional rights specifically. It should be treated warily and with all the respect appropriate for a government agency with the powers it has.

But to be stunned and stultified, as so many taxpayers are, is counterproductive. Besides, the opposite attitude, especially coming out of an audit, can yield a very useful store of knowledge. More than a few people, having gone through an audit with the attitudes I've suggested, have come out of it saying, "I'll never be scared of them again. Now that I've seen how they work and what they're looking for, I'll just be sure to cover my rear that much better. But I'll *never* be scared of them again."

Attaboy, citizen. Spit in their eye!

Do you have a tax question? Mr. Condon may have the answer. Send your query along to REASON Taxes, Box 40105, Santa Barbara, CA 93103. (A limited number of reader questions can be answered in print; personal replies cannot be made.)

Tim Condon is an attorney and a tax specialist practicing in Florida.

SPOTLIGHT

Freedom's Lobbyist

BY PATRICK COX

There are 15,000 lobbyists in Washington, D.C. Nearly all are in the employ of vested interests either looking for special favors or protecting themselves from the depredations of Capitol Hill. Of the tiny minority of lobbyists whose motives are ideological rather than economic, most are traditional "public-interest groups" who believe that more government is the solution to problems. Only a handful lobby for a reduction of state power and an increase of individual liberty.

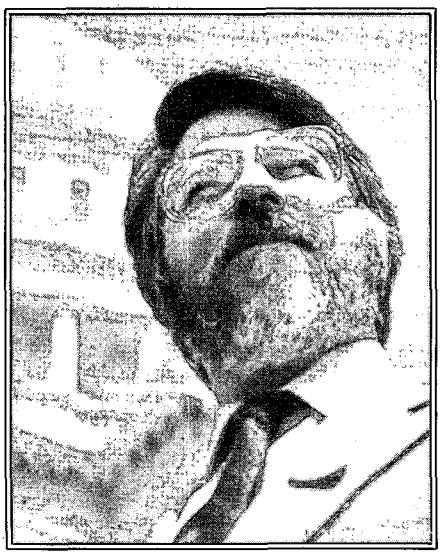
Fred Smith of the Council for a Competitive Economy is one of those few who plead for a voluntary, market-based economy. While other lobbyists are trying to protect themselves from the legislative guns, Smith is trying to drive spikes into them.

"The massive wall of big government was not built by socialists," says Smith in summing up his purpose. "It was built brick by brick by ad hoc coalitions of special interests. I believe the path to economic freedom is to reverse the process, to dismantle it brick by brick. Removing strategic bricks is even better, because they cause others to fall too."

Given Smith's background, his present defense of economic freedom is remarkable. After getting his degree in mathematics, he completed course work toward a doctorate in operations research. Prepared to plan the future of anything that seemed in need of planning, he went to the Environmental Protection Agency (EPA) in 1971 to save the environment. During his five years there, he rose to the position of senior policy analyst. Though his initial political orientation at the EPA was by his own description "knee-jerk liberal," he was thrust into the position of studying market alternatives to regulation. "I realized," he says, "that there was an environmental problem despite the EPA" even though the agency was created to solve environmental problems. Smith grew disenchanted with the agency and left it.

From there he went to the Association of American Railroads (AAR), a trade group for the freight rail business. His original area of specialization was transportation financing, but he found himself lecturing federal and state analysts on the anticompetitive effects of their regulation. Working around railroads turned out to be an eye-opening experience for the young planner. It was then, Smith says, that he lost his last vestige of faith in central planners who think they can rationally determine the course of society.

After becoming aware of REASON through an article on railroad deregulation and learning of the Austrian school



FRED SMITH

of economics, Smith began studying in depth the anticompetitive effects of transportation regulation. He is still a leading authority on subsidies to the trucking industry and the disadvantages they impose on the rail industry.

In 1980, while still with the AAR, he heard about a new lobbying group called the Council for a Competitive Economy (CCE) and immediately joined as a supporter. "I had been doing the research and laying the intellectual groundwork for deregulating transportation, but that was not enough," Smith recalls. "I was increasingly frustrated because all the good arguments in the world were not changing one politician's vote. They just weren't hearing them. I realized that somebody had to put some pressure on the Hill."

According to Smith, when he first joined the CCE, he was still "only efficiency-oriented," but he was deeply impressed by the moral arguments for the market that he heard through his contacts with the organization. He went to work for the council last year.

Since then, Smith has assisted the CCE in fighting some important battles on the economic front. Smith and the council spearheaded the attack on the nickel-a-gallon gas tax last fall. Though the tax passed, the opposition that existed was organized largely by the council.

A dedicated environmentalist, Smith is working with groups like the Sierra Club to stop government-subsidized destruction of the environment. In the process, he has had considerable success educating ecologists to a property-rights approach to environmentalism. Though it is possible that the mainstream environmentalists will rely on free-market arguments only so long as it comports with their goals, there may be some lasting effects of these efforts. For one thing, Smith helped organize one of the most unlikely coalitions of groups imaginable to fight projects like the federally funded Clinch River breeder reactor and the gas tax. This curious group includes the National Taxpayers Union, the Sierra Club, Friends of the Earth, the Conservative Caucus, and the National Pro-Life PAC.

Smith was also instrumental in starting the Jefferson Group, an informal biweekly meeting of promarket scholars, journalists, and advocates. They meet to cross-pollinate and share ideas on how best to deploy the combined resources of those working for free markets.

Smith and the CCE take on a myriad of anticompetitive policies, including market orders, transportation and energy regulation, and the proposed funding increase for the International Monetary Fund. They have also begun to bring resources to bear on opposing proposals for a national industrial policy and restrictions on foreign trade, which Smith calls "the get the 'Nips' policy."

Free-market supporters, says Smith, "have considerable intellectual ammunition now, but that isn't enough. We need troops on the front lines to take the ideas to the Hill. That's what the council is doing, and that's why I'm here."

Patrick Cox is a frequent guest columnist for USA Today *and public affairs director of the Pacific Institute for Public Policy Research.*

arts & letters

MOVIES

Reviewed by John Hospers

Superman III

One sequel is usually one too many, and a second sequel inevitably forces the film makers to draw from the bottom of the barrel of ideas, since most of the good ideas have already been used up. So it is with *Superman III.*

The razzle-dazzle of fancy sets and complex machinery finally fails to dazzle. What saves the film, if anything, is the human touch embodied in Richard Pryor's comic antics: he has insufficient opportunity to indulge his talent in this one, but he makes the best of a stupid script. Christopher Reeve plays Virtue Triumphant with his usual aplomb, except in the second of the three parts of the film, during which he undergoes a radical change of personality. For Superman to turn bad as a result of some rays from Krypton is not only out of character, it tarnishes the image of Superman as a Good Guy, whose do-good exploits are the main reason that children (often chronologically adults) go to the theater to see him.

Reeve walks a neat tightrope between being himself and playing the whole thing for laughs. But almost the only laughs in the film are of the slapstick kind that open the picture and give it its best five minutes.

Psycho II

The devastating effect and immense popularity of Hitchcock's *Psycho* were due not to blood and gore but to a totally absorbing and credible plot combined with the brilliant use of the unexpected. Contrary to all cinematic conventions, the star of the film (Janet Leigh) was dispatched after the first half-hour of the film by being stabbed to death in the shower (a scene imitated in countless films since); the detective, the last person we expect to be a victim, is stabbed to death at the top of the stairs; and so on. Sudden death at the least expected moment for the least expected persons was a device used with maximum effect in the greatest of all thrillers, Clouzot's *The Wages of Fear*, and Hitchcock adapted it with maximum effect, particularly in *Psycho.*

In the current *Psycho II*, Hitchcock's lean and brilliant strokes are conspicuously absent. The film makers try valiantly, however, and the successor—though it does not match the original film—is absorbing throughout because of the chess game the film makers play with the audience. There are leads that seem plausible, so that we think we have it figured out, only to watch them turn out to be red herrings; then something else strikes us as the inevitable solution, only to have that too turn out to be a dead end. Is the killer in the original *Psycho* (Anthony Perkins, the principal character in *Psycho II*) going to remain sane or return to his old ways? Is he really going bananas, or is it a part of a sinister plot to have him recommitted, or is he the sane one battling an insane and unseen antagonist?

The film is successful as a constant challenge to the viewer's ingenuity at problem solving. Its plot is far more complex than the original. The question is whether it is all worth the trouble.

WAR GAMES: When the countdown for a nuclear attack cannot be stopped, tension runs high in the US command center.

War Games

Fast on the heels of his *Blue Thunder* comes John Badham's *War Games.* Both can be described as action thrillers, but *War Games* is a much better film. One reason is the two principals, teenagers Matthew Broderick and Ally Sheedy, who add a human touch to the film that was lacking in the strictly "techno-trash" *Blue Thunder.* Largely as a result of their winning characterizations, there is an upbeat ambience in this film that is reminiscent of *E.T.* Another reason is the importance of its theme—the possibility of accidental nuclear confrontation, which in this case is no confrontation at all but a false alarm that occurs when the teenage computer whiz taps into a NORAD (North American Air Defense) computer when he thinks he is only playing a war game by computer with an unknown game-playing antagonist.

One is never really convinced that the events depicted could actually occur. For one thing, only the command of the president of the United States can release the deadly missiles; in the film, the computer does it. For another, it is rather absurd to believe that NORAD experts would use the computer as their only evidence of an approaching attack, in the total absence of any independent verification (sightings, radar, etc.) that such an attack was imminent. Criticisms of those in charge of NORAD may be in order, but they are hardly *that* stupid and trigger-happy.

One line in the film, which is as applicable to nuclear war as to other games being described, is: "The game cannot be won—the only strategy is not to play it." The line draws loud cheers from the audience. But what is it supposed to imply? What if one side refuses to play but the other side refuses to refuse? Doesn't the side that refuses to play the game instead play into the hands of the side that doesn't refuse?

The film solves no problems. It misleads people about the simplicity of solutions. It does not even give a plausible

scenario for how a nuclear war might start. But it does present to us a scary kind of chess game, well plotted and well acted, maximizing our edge-of-the-seat suspense.

John Hospers is the author of Understanding the Arts. *He teaches philosophy at the University of Southern California.*

BOOKS

Pumping Away At "Big Oil"

The Great Energy Scam: Private Billions vs. Public Good
By Fred J. Cook
New York: Macmillan. 1982.
292 pp. $15.95.

Reviewed by David R. Henderson

The claim that "Big Oil" has a monopoly on the oil market is nothing new. For at least a decade now, popular writers have been feeding the public with this sensational news. Fred Cook, who writes regularly on the energy industry for the left-leaning *Nation*, offers up the standard fare for a wider audience in *The Great Energy Scam.* Too bad Macmillan bit.

Cook does at times make a convincing case for Big Oil's alleged monopoly—but only by using facts selectively and interpreting them with an utter disregard for economics. So his feast is fatally poisoned.

Cook's main evidence for Big Oil monopoly is "its" behavior during the 1979 gasoline shortage. He argues that the Iranian revolution had nothing to do with the US shortage, because increased oil production by other countries more than offset reduced Iranian production, and US imports in 1979 were greater than in 1978. Moreover, he points out, US reserves of crude oil in 1979 were at their highest level ever. Therefore, he concludes, the major oil companies must have purposely engineered the gasoline shortage to drive up prices.

Let's look at some facts that Cook leaves out. US imports in 1979 were greater than in 1978 because 1978 imports were unusually small. More important, what matters for production is not imports but the total amount of crude oil available. In calculating crude reserves, Cook fails to subtract the oil in the federal government's Strategic Petroleum Reserve. Why should he? Because the oil companies couldn't count on the government to release this oil, both because it was for use only in emergencies and because the government had failed to install equipment for pumping out the oil. Without these irrelevant reserves, US reserves in March 1979 were in fact at their lowest level since April 1977.

Prudent refiners wanted to have on hand enough gasoline for the peak driving season and adequate home heating oil supplies. Because they feared a reduction in world oil output, they rationally chose to reduce gasoline production rather than risk the much more costly alternative of shutting down refineries later. Although world oil output didn't fall, their fear was quite sensible.

But reduced supplies alone don't cause shortages; artificially low prices do. Without price controls, higher prices would have matched demand with supply, but the federal government prevented gasoline prices from rising enough. It also forced refiners to allocate gas to farming areas to meet all the demands there, worsening the shortages in urban areas. Cook doesn't mention this.

Nor does he point out that because prices were set by a predetermined formula, they increased no more because of the gasoline shortage than they would have otherwise. So much for Big Oil's monopoly power to drive up prices. (Stephen Chapman presented a more complete analysis of the shortage in "The Gas Lines of '79," in the *Public Interest*, Summer 1980.)

Cook's two other main pieces of evidence for monopoly are the large profits per gallon earned by some refiners and the large profits earned by all oil companies in 1979. It is true that some refiners' prices increased by a larger percentage than did crude costs. But the reason their margins were high is that they could buy limited oil supplies from the Saudis at a below-market price, while their competitors were paying the market price. Thus they earned high profit margins even while pricing no higher than their competitors. And while US oil companies earned billions of dollars in "windfall profits," this is not evidence of monopoly. When the price of a resource rises, people who own some of that resource do earn windfalls, be they monopolists or the Beverly Hillbillies.

Moreover, how could refiners suddenly choose to become monopolistic? If Cook cites the increased profit margins of the 1970s as evidence for monopoly,

THOMAS SZASZ
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then he can't claim that Big Oil was monopolistic in the 1960s when "it" had lower profit margins. So something must have changed to facilitate monopoly. But what? Cook doesn't say.

Although Cook says he believes in competition, he doesn't show the least understanding of competition. For instance, he argues that decontrolling the price of natural gas would cause its price to rise to the equivalent price of oil, marking "the end of any meaningful competition" between oil and gas.

In fact, knowing how producers and potential producers respond to the possibility of profits, we know that higher prices would increase natural-gas production, which necessarily creates *more* competition between oil and natural gas.

At another point, Cook states that Big Oil damaged the industrial base in the 1970s by redirecting capital from other industries *into* oil and gas. On the contrary, if US oil companies were monopolistic, they would be able to and would keep capital *out* of their industry.

His demonstrated ignorance of economics makes Cook politically naive. He recounts how the Carter administration suppressed a 1977 government study that concluded that an increase in natural-gas prices would bring forth large reserves. Carter also fired the head of the Geological Survey, who had been saying that there were huge US reserves of natural gas. Cook strongly criticizes Carter's actions. He doesn't seem to understand that the suppressed evidence *strengthened* the case for natural-gas decontrol, which Cook vehemently opposed. I don't mean to imply that Cook should favor the suppression of evidence that weakens his case, but rather that he isn't even aware that it does so.

Cook is most naive when he buys the Saudis' explanation for their advocacy of a per barrel tax (euphemistically labeled a "windfall profits" tax) on US oil. Although the Saudis threatened dire consequences for Americans if the government failed to impose a tax, it was really the Saudis who faced dire consequences. They feared that the high price of oil would encourage US production, ultimately undercutting their cartel. The Saudis wanted to nip this competition in the bud. Hardly in America's interest.

Space constraints prevent me from discussing some of Cook's other errors. He makes reasonable arguments against the Alaska natural-gas pipeline, the Washington state government's nuclear power plants, and synthetic fuels. But overall, one gets the feeling that Cook's visceral hatred of Big Oil has blinded him to economic reality. In a revealing passage, Cook tells us that his angry reaction to the decontrol of oil prices was "almost automatic." Leave out "almost," and I believe him.

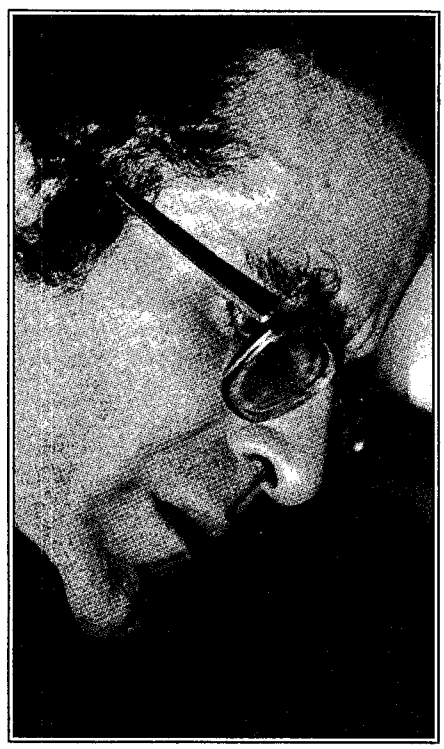
David Henderson is a senior staff economist with the President's Council of Economic Advisers.

Intolerant Tolerance

Sex, Drugs, Death, and the Law
By David A. J. Richards
Totowa, N.J.: Rowman and Littlefield. 1982. 316 pp. $26.50.

Reviewed by Eric Mack

David Richards has set out to provide a systematic philosophical and jurisprudential defense of the liberties that should attach to each individual's nonaggressive choices about sex, drugs, and



David A. J. Richards

self-willed death. Richards scornfully rejects the utilitarian defense of such liberties, which holds that it simply is not worth it to society to attempt to suppress activities such as homosexuality, prostitution, and drug use. He insists that personal freedoms are founded, instead, on the radically anticollectivist and antimajoritarian basis of natural rights.

Moreover, Richards maintains that this radical natural-rights perspective must inform any correct reading of the Constitution. Laws that repress persons in their peaceful choices about sex, drugs, and suicide not only violate rights—they are also unconstitutional. Finally, Richards is sometimes eloquent in his account of the heavy costs imposed on peaceful citizens by our moral police and the politics of intolerance. What more could anyone ask for in the way of hard-hitting civil libertarianism? Lots.

Putting aside foundational and methodological difficulties, *Sex, Drugs, Death, and the Law* suffers from two major problems. The first centers on Richards's choice of a "right to autonomy" as the crucial relevant right protective of civil liberties. Autonomy is the capacity for the exercise of rational and self-critical choice. Richards claims that autonomy is violated by laws that make crimes of nonstandard sexual behavior, drug use, and certain decisions about the time and manner of one's death. But this is not obvious.

While such laws create barriers to *acting on* the basis of certain decisions, autonomy consists in arriving at decisions rationally and self-critically. The person who is forbidden to *act* on decisions so reached is not free—yet that person remains autonomous. Indeed, external barriers to action may sharpen and intensify a person's autonomy—as, say, in the case of Soviet dissidents. At the very most, external barriers violate autonomy only when the actions blocked would have been based on autonomous—that is, rational and self-critical—choice. So, at most, a right to autonomy would protect the acts of, say, reflective, self-creative prostitutes—but not the acts of unthoughtful, unimaginative prostitutes.

Of course, one might interpret autonomy in a less intellectual and inward-looking fashion—as just another word for liberty. But a robust right to liberty invalidates not only state interference with persons' peaceful "personal" pursuits but also state interference with persons' peaceful economic pursuits. And, for Richards, this will never do. He defends the choice of heroin use or suicide or even a *career* in prostitution as "a basic life choice" protected by the right to autonomy, but he would never grant that, say, the choice to include gold clauses in one's contracts or the choice not to be part of the Social Security system is "a basic life choice" deserv-

ing of similar protection. Only Richards's inward-looking sense of autonomy will have a chance of fitting with a constitutional right to privacy that protects "lifestyle" rights but not economic freedom.

But the real tragedy of *Sex, Drugs, Death, and the Law* lies in Richards's blurring of the distinction between the right to engage in an activity and the moral value or propriety of that activity. True liberalism strongly insists on this distinction. An individual must be free to engage in any nonagressive act he or she chooses, no matter how immoral it may be in terms other than coercion against others. At the core of liberal tolerance is the idea that the law may only act against the special immorality involved in violating rights; all other acts, no matter how offensive or objectively immoral, must be legally tolerated.

Richards inadvertently betrays this liberalism in holding that the right to heroin use or to engage in prostitution or suicide depends on the goodness of these actions—at least as exercises of autonomy. This is why, throughout *Sex, Drugs, Death, and the Law*, Richards feels bound to argue against the im-

Book Hints

a selective mention of books received for review

Freedom House has released its annual yearbook, *Freedom in the World—1982*, edited by Raymond D. Gastil (1982, 379 pp., $35.00). It presents the results of a survey of civil and economic freedoms throughout the world. In addition to its country surveys and ratings, the 1982 edition presents several essays that emphasize economic freedom and its relationship to political freedom, economic growth, and development.

Also of interest to students of comparative economic systems is Steven Cheung's monograph, *Will China Go Capitalist?* (London: Institute of Economic Affairs, 1982, 63 pp., distr. by Transatlantic Arts, Albuquerque, N.M., $5.95 paper). Cheung argues that although China may never become officially "capitalist," it will eventually adopt a structure of private property rights that would function as in capitalism.

A look at the Soviet economy by Marshall Goldman, associate director of the Russian Research Center at Harvard, is more pessimistic about the prospects for change. In *U.S.S.R. in Crisis: The Failure of an Economic System* (New York: W. W. Norton, 1983, 210 pp., $15.00), Goldman demonstrates that the Soviet Union continues to adhere to a planning model set forth by Stalin in the 1920s and wholly inappropriate to current economic conditions. The result has been economic disaster for the Soviet Union.

On a different note, it is refreshing to see several academic texts that present the case for free markets and individual freedom. In *Public Policy: Issues, Analysis, and Ideology* (Chatham, N.J.: Chatham House, 1982, 310 pp., $8.95 paper), editors Ellen Paul and Philip Russo, Jr., recognize that public-policy analysis is not a neutral, objective task but that values are an integral part of such analysis. Their compiled essays cover a variety of public-policy issues presenting extremely divergent opinions. Included in that variety are essays by a number of staunch advocates of individual liberty and free markets such as Murray Rothbard, Tibor Machan, Thomas Sowell, and F. A. Hayek.

In *Economic Development: Theory, Policy and International Relations* (New York: Basic Books, 1982, 452 pp., $20.00), Ian M. D. Little discusses the limitations of ambitious government planning and external assistance in promoting development and provides a favorable reassessment of the working of markets. Another work directed mainly at academic audiences is *Philosophical and Economic Foundations of Capitalism*, edited by Svetozar Pejovich (Lexington, Mass.: Lexington Books, 1983, 144 pp., $19.95) and consisting of a series of essays first presented at a Liberty Fund conference.

For those interested in philosophical debates prior to and immediately following the American Revolution, Liberty Press has published a two-volume set, *American Political Writings During the Founding Era: 1760-1805* (Indianapolis, 1983, 1,417 pp., $28.50/$13.50). The editors, Charles Hyneman and Donald Lutz, have compiled 76 essays thought to represent the best writings of the founding era on the conception and establishment of republican government in America.

Education continues to be the focus of intense controversy and interest. Two recent publications present compelling evidence challenging myths surrounding private education. *Inner-City Private Elementary Schools: A Study*, by James G. Cibulka, Timothy J. O'Brien, and Donald Zewe (Milwaukee: Marquette University Press, 1982, 225 pp., $11.95 paper) and *Catholic High Schools and Minority Students*, by Andrew M. Greeley (New Brunswick, N.J.: Transaction Books, 1982, 125 pp., $14.95) present vital new statistics on the growing role of nonpublic schools in providing educational opportunities, particularly in urban settings. Far from educating only the economic elite, private and parochial schools increasingly constitute the best route to upward social mobility for society's underprivileged. The authors convincingly demonstrate that poor and minority parents are willing to make enormous sacrifices to achieve quality education for their children.

As an ending note, a couple of monographs deserve mention. *Roads and the Private Sector*, edited by Eamonn Butler, analyzes a series of proposals to introduce private capital into road construction to provide an efficient road system (London: Adam Smith Institute, 1982, 102 pp., 2.4 pounds, paper). *Transport Without Politics*, by John Hibbs (Lancing, England: Institute of Economic Affairs, 1982, 95 pp., distributed by Transatlantic Arts, Albuquerque, N.M., $9.25 paper), analyzes the scope for competitive markets in road, air, and rail transport. *Private Rights and Public Lands*, edited by Phillip Truluck, combines works by a number of authors who look at the difference between public and private ownership of lands, assess the philosophical and legal implications of federal ownership, and present strategies for privatizing energy, wilderness, forestland, and rangeland resources (Washington, D.C.: Heritage Foundation, 1983, 95 pp., $4.00 paper).

—L. S.

Does this man really exist?

C'mon!

He loves horses and whores and believes the state is out to get him!

He keeps searching for Tom Jefferson - thinks god is a Cosmic Clown - believes in America - doesn't want to lift weights nor look for Noah's Ark - smokes Lucky Strikes - still wants the Lady of the Harbor to tuck the huddled masses beneath her bosom.

Celebrates Darwin's birthday at the Dumb Friends League with a beagle - throws bean bags at his psychiatrist - likes cows and can't understand why they cause so much havoc - admires women - writes poetry and keeps a steel blue snub nosed .38 beside his bed.

Who is this crazy S.O.B.?

Read

Behind His Eyes:

The Letters and Verse of John Dalton Bagby

by

Joe Bagan

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morality of the acts that he seeks to release from legal constraints. He feels bound to insist on "a transvaluation of values whereby many traditional judgments regarding the proper exercise of these life choices are no longer justified." Indeed, he feels bound to insist on these choices now being "perceived as affirmative goods."

Richards does note belatedly that not every exercise of a right need be accepted by everyone as morally correct. All he means by this, however, is that individuals may continue to invoke their subjective moral ideals to arrive at personal, idiosyncratic condemnations of actions that must be legally permitted *because objective "public morality" affirms their value* as expressions of autonomy.

The tragedy in all this is that Richards ends up sharing with the intolerants the crucial premises that if an act is objectively immoral it should be forbidden and that only if an act is not objectively immoral may it be allowed! Thus, he also shares with them the view that to decriminalize an activity is to withdraw any claim to its objective immorality. So, on this fundamental level, his book *reinforces* the intolerants' mistaken belief that the demand that they legally tolerate some human activity is equivalent to the demand that they accept as moral what they morally abhor.

This is not the way to build a liberal pluralistic social order. David Richards is often correct and insightful in his opposition to traditional moral judgments. But by linking the case for legal toleration to this opposition, he illiberally reunites politics and morals.

Contributing Editor Eric Mack teaches philosophy at Tulane University.

Food Fads and Facts

The One-Hundred-Percent Natural, Purely Organic, Cholesterol-Free, Megavitamin, Low-Carbohydrate Nutrition Hoax
By Elizabeth Whelan and Fredrick J. Stare
New York: Atheneum. 1983.
302 pp. $14.95.

Reviewed by Jane Orient, M.D.

A glassy-eyed, unshaven individual who believed in a conspiracy to manipulate and to poison him would be rushed off to a psychiatrist. Yet nutritionists of antiestablishment credentials are peddling just such delusions to the mass market, accusing the barons of industry of poisoning America. The motive: profit. By subtracting nutrients and adding chemicals to our food, they fatten their bank accounts as they cause aging, cancer, and even crime.

Elizabeth Whelan, director of the New York-based American Council on Science and Health, and Fredrick Stare, founder of Harvard University's Department of Nutrition, analyze the facts and the psychology of these claims, beginning with the motive. While donning the mask of the little guy who challenges the conglomerates, the hustlers are raking in the money, they note. The wormy apples at the corner health food store may cost twice as much as the more attractive ones at the chain supermarket. Bottled and filtered Pacific Ocean commands $1.95 a quart, only 10 miles from the shore. Royalties to the writers of fad diet books, containing much worthless and even harmful advice, total millions of dollars, with no deductions for malpractice insurance.

Though many ideas of the food faddists appear to be novel, Whelan and Stare show that salvation was thought to reside in brown grains and other wonder foods even in the last century. Sylvester Graham, who "preached the fear of eating the wrong food along with the fear of God" is immortalized in the Graham cracker. Today we worry about crime rather than sin. That junk food consumption predisposed the accused to crime has actually been argued in court (the "Twinkie defense").

In the near-hysteria over the alleged dangers of food additives, people often forget the real benefits. They fear cancer from nitrites more than the deadly botulism these compounds prevent, even though the single study that raised the suspicion of nitrites' cancer-causing capacity came to erroneous conclusions, prematurely released. A review showed that the rats that consumed the nitrite had *fewer* cancers. The nitrite controversy also illustrates how the panic-mongers tend to lose perspective; only *5 percent* of our nitrite intake comes from food additives—the remainder comes from natural sources such as saliva and normal intestinal bacteria.

Although "artificial" additives are evil, naturally occurring impurities are assumed to be good. Anything white or refined (and hence more pure) becomes "empty calories." Actually, some natural

contaminants are beneficial. Strict vegetarian Hindus suffer vitamin B12 deficiency in England—but not in India, because of the insect parts adulterating the food in their native land. On the other hand, the "natural" arsenic in kelp and the lead in bone meal are quite poisonous.

While condemning additives, the experts in health food stores offer many "supplements," labeled "natural" though obviously processed into pills. People are ordinarily outraged by the prospect of being a "guinea pig"—unless the experiment happens to involve an herb or a newly discovered "vitamin." The toxicity of megadose vitamins, not well publicized, is outlined in chart form by Whelan and Stare.

Some experimental evidence links diet to risk of various diseases, especially hypertension and coronary artery disease. After reviewing the studies, the authors conclude that drastic change in Americans' diet is not indicated. Although individuals at high risk may benefit from certain dietary modifications, factors such as smoking and obesity are far more important. Evidence that childhood behavior disorders may improve on special diets is conflicting and far from overwhelming. The crusade against sugar as an addicting cause of all varieties of misery is largely based on nonsense. Glucose is a physiologic necessity. Furthermore, the much-maligned presweetened breakfast cereal contains less sugar per serving (11 grams) than the average apple (17 grams).

Besides debunking the latest fads, including the Cambridge diet, the authors provide sound nutritional advice. Their book is an exemplar of rational scientific thinking, which must weigh risk and benefit and demand controlled, reproducible studies. The general advice on how to recognize a quack is timeless. I shall use this book as a resource for my patients and only wish it had an index in addition to the detailed table of contents. It deserves wide reading by teachers of science and home economics, as well as by the general public.

While "public interest" groups generally hail Naderite accusations against business, however unsupported the charges, Whelan and Stare's long-standing efforts to repair deplorable deficiencies in the public's knowledge of health matters have been rewarded with disdain and even legal counterattack. In December 1978 the National Nutritional Foods Association, a health-food trade group, along with several health-food store owners, filed a $1.3-million libel suit against Whelan and Stare, charging that their syndicated newspaper column, their previous book (*Panic in the Pantry*), and an article in *Harper's Bazaar* evidenced a conspiracy to harm the health-food promoters' reputation. The suit was dismissed in 1980, after much expense and disruption of the authors' work. Harassment and intimidation are the only weapons the health-food faddists could muster against the relentless logic of these scientists.

Jane Orient is an adjunct assistant professor in the Department of Internal Medicine at the University of Arizona College of Medicine.

Heartless or Heroic?

The Businessman in American Literature
By Emily Stipes Watts
Athens: University of Georgia Press. 1982. 183 pp. $16.00.

Reviewed by Cheri Adrian

This book-length survey of the businessman in American literature is a first. Emily Stipes Watts demonstrates that while businessmen are usually portrayed as stupid, immoral, and spiritually

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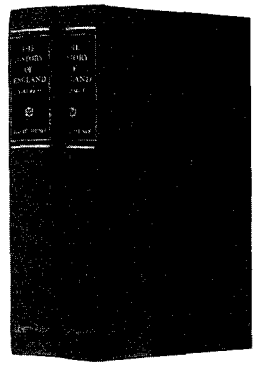

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Foreword by William B. Todd

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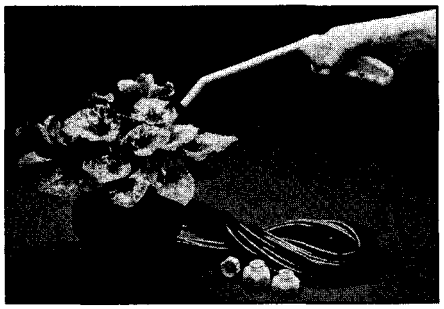

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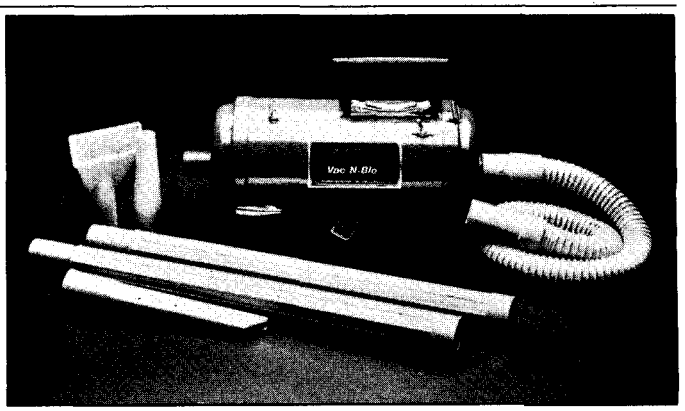

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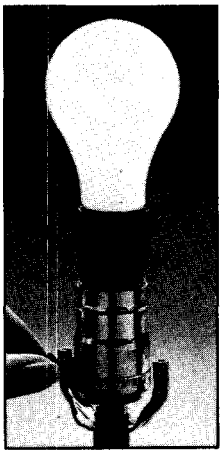

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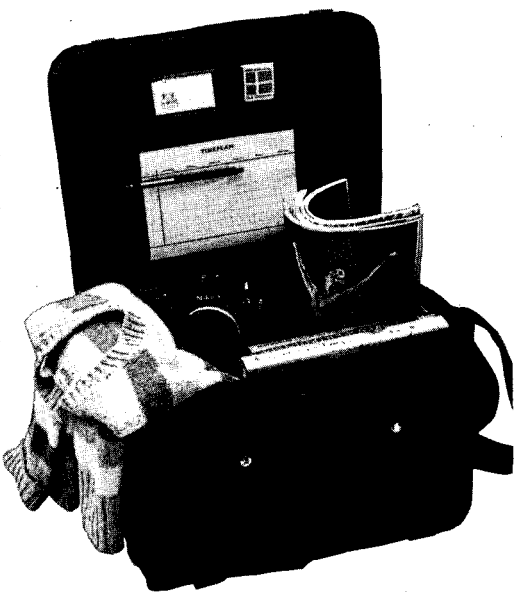

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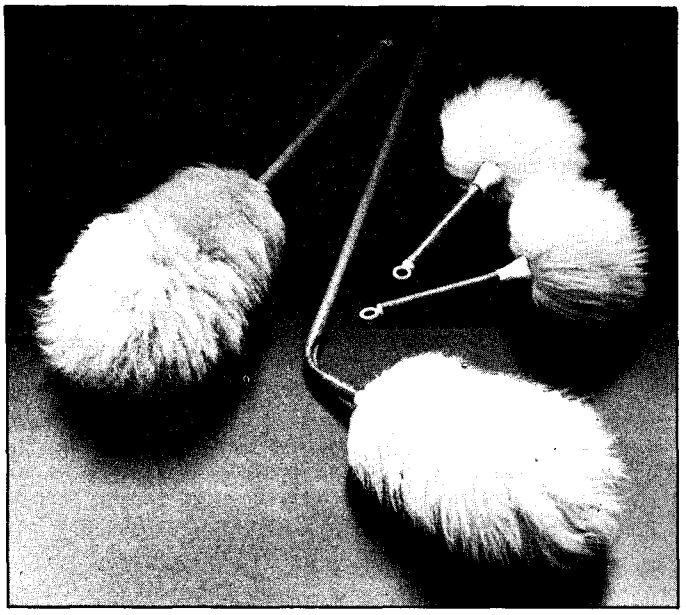

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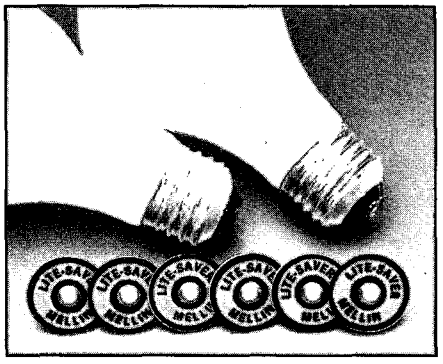

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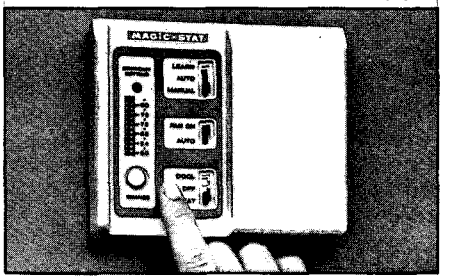

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vacuous, serious American literature is by no means devoid of more positive images. Unusually, Watts is herself frankly sympathetic to free enterprise, specifically praising its promotion of individualism, creative production, and political freedom.

From the Puritans to the present, the book reviews the dominant character types and themes common in American literature that portrays business activity. Among her figures are the heartless and finally repentant Scrooge of William Dean Howells's *Silas Lapham*; the shrewd Yankee Peddler who became Herman Melville's *Confidence Man*; and the Tinker, the ancestor of a uniquely American hero, the inventor-entrepreneur. She notes the interesting conflict in American culture between the celebration of invention and the fear of its result: industrialization and technology seen as destroyers of the very individuality and creativity that produced them.

Why has the literary artist so often expressed such hostility to business? It was not, Watts shows, a result of "the ['robber baron'] excesses of the post-Civil War period. The truth of the matter is that American writers produced works with anticapitalist tendencies from the very beginning, despite our current clichés about the Puritan work ethic and the economic motives of our Founding Fathers." She takes issue with the myth of the "Puritan-capitalist connection," presenting historical and literary evidence that American Puritanism was in word and deed opposed to business, economic freedom, and material gain. What Puritanism spawned, she says, was not support for capitalism, but an intellectual anticapitalist tradition for American writers.

Watts does not oversimplify the problems artists face in a culture without a tradition of patronage and where commercialization is a potential threat, but she notes that it has also been ignorance and envy that have led to the views that "businessmen are stupid" and that "a fortune is easy to make." Her discussion of the attraction of artists to utopian socialism in the 19th century and to Marxism in the 20th suggests that anticapitalist portrayals in utopian socialist and proletarian novels were largely refinements of much earlier prejudices.

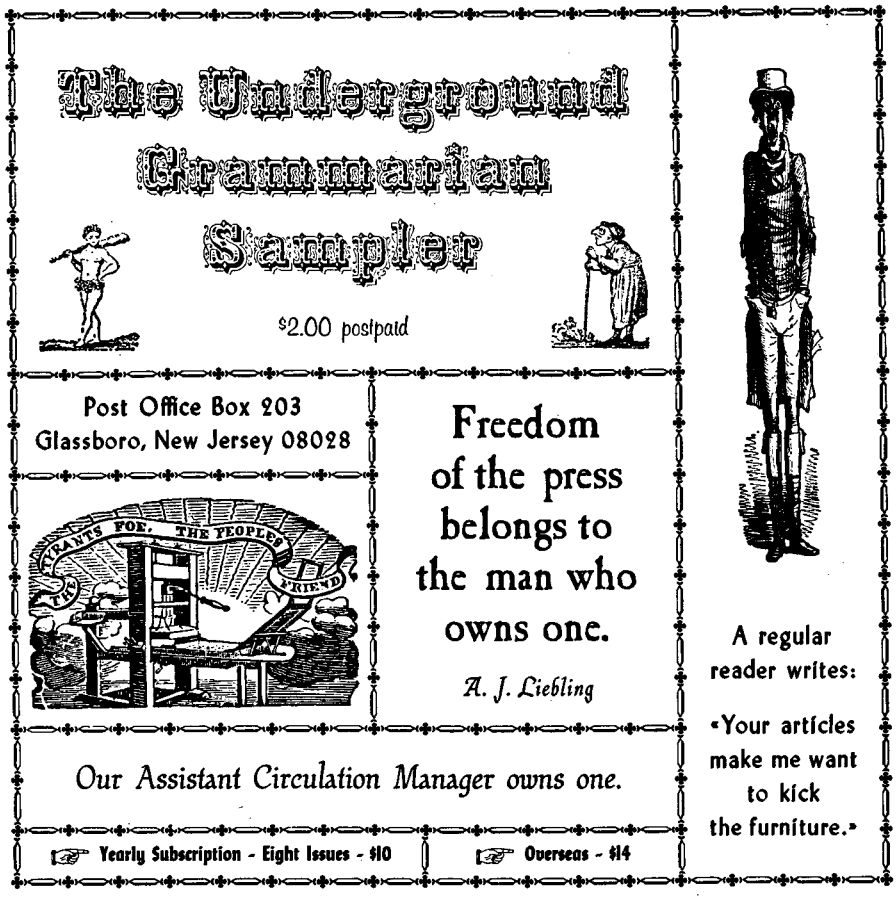
She finds sympathetic portrayals of the businessman in some early figures (like Benjamin Franklin's *Autobiography*) and several writers in the '30s who defended capitalism against the Marxist rage (for instance, Gertrude Stein: "Getting rid of the rich does not end up very funnily. It is easy to get rid of the rich but it is not easy to get rid of the poor. Wherever they have tried it they have got rid of the rich all right and so then everybody is poor."). Watts credits Ayn Rand with the creation, in *The Night of January 16th*, of a new kind of literary hero, the entrepreneur (but oddly does not deal with the fuller characters of Rand's later work, *The Fountainhead* and *Atlas Shrugged*).

In Watts's view, the most positive portraits are more recent stories about the independent, private businessman, in the tradition of the "rugged individualist," who displays integrity, courage, and endurance against the encroachments of big government, big business, big unions—"corporate capitalism"—and the conformity, mediocrity, and loss of freedom they threaten. Her primary representative of this type is Ken Kesey's Hank Stamper in *Sometimes a Great Notion.*

Watts reminds us that heroes of any kind are rare in contemporary literature. So in order to create a *capitalist* hero, American writers must reject and dispel a number of powerful myths. However, she claims that the individualist tradition, and the perception that capitalism encourages individual freedom and self-expression, are good reasons why the businessman should emerge as an American literary hero.

Watts's survey is broader than it is deep. It insufficiently appreciates the impact of European cultural movements (like romanticism) on the American writer, and it does not make a convincing case for the generalization that American writers have come to deal with capitalism in a "creative and constructive manner." But this is the most extensive look to date at the treatment of capitalism by major American writers. Her book will give the general reader a much richer appreciation of the literary tradition that shapes the image of the businessman in American literature.

Cheri Adrian is a former professor of literature and is currently working in Hollywood as a screenwriter.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LETTERS

(Continued from p. 8)

and developing technology can provide workable ABM systems. Lawhern inclines to the pessimists' side, while I incline, based on my reading of the literature, to

the other. As for cost, some Defense Department analysts have claimed that the High Frontier group's estimates understate the system's cost by a factor of *two*, not ten; in reply, General Graham points out that his team's figures are based on bypassing the normal DOD procurement and project management process, as was done to produce the Polaris missile system (which was accomplished in only 47 months!).

As for the trade-off between defending Europe and defending ourselves, the plain fact is that defense dollars are limited. The political process is unlikely to produce $25 or $50 or $100 billion for ABMs and civil defense as long as we are maintaining a standing army in Europe. As long as our "allies" continue to frighten us into thinking that they won't defend themselves without our troops, we're likely to remain defenseless against nuclear attack. I think it's high time we called their bluff.

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THE CLASSIFIED AD DEADLINE FOR THE NOVEMBER ISSUE IS SEPTEMBER 1.

Further & More

TOWER POWER

In May, REASON reported on the contracting of air traffic control to private enterprise at several airports around the country ("Towering Entrepreneurs"). Since then, according to author John Doherty, the Federal Aviation Administration (FAA) has said that three more "contract towers" will be announced on August 1. (At this writing, four airports are reportedly in the running—Enid, Oklahoma; Salina, Kansas; Cuyahoga County, Ohio; and Akron, Ohio.) The agency is also planning to establish a joint industry-government task force to formalize its contract tower program.

Doherty attended the convention of the American Association of Airport Executives in Orlando on June 8 and found that the REASON article was quite the topic of discussion. He reports that he "received a number of positive comments on the article." Duard Spleth, manager of the Enid, Oklahoma, airport, made a strong statement supporting contract towers that included several quotes from "Towering Entrepreneurs," and was warmly received by attendees, according to Doherty.

The FAA may be approving three more contract towers, but, as might be expected, the government attitude toward contracting out remains ambivalent. For example, the Labor Department has created a possible obstacle to private air traffic control by claiming that the 1965 Contract Services Act requires that "prevailing wages" be paid on federal contracts.

But what is the prevailing wage here—federal controllers' salaries or private-sector controllers' salaries? If it's the latter, as the FAA says, this will create only a minor nuisance for the new industry. If it's the former, as the Labor Department says, it spells catastrophe for private air traffic control. At this writing, there's a standoff between the two bureaucracies.

But, if the trend towards private air traffic control can steer clear of the shoals of government bureaucracy, such as the Labor Department fracas, it's clearly on its way.

Compiled and with an introduction by Carl Watner

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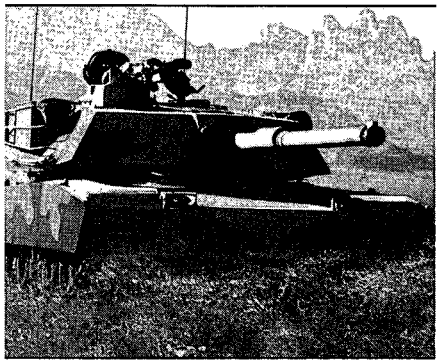
NO CURE YET FOR MEDICAL MONOPOLY

In June, REASON reported on a campaign to liberalize California's Medical Practices Act, which, like similar medical-licensing laws in other states, confers a near-monopoly on medical practice to doctors using conventional healing techniques ("Healthy Symptoms," Trends). A Berkeley group called the Coalition for Health Democracy was spearheading an effort to permit a freer market in medical care, and the staff of the state's Board of Medical Quality Assurance prepared a proposal for reform of the Medical Practices Act that would permit alternative health practitioners to practice, on a limited basis, without state harassment.

Unfortunately, the California Medical Society—the medical establishment's trade association—mobilized its considerable political clout against the reform proposal. On May 20, the state board formally received the staff report but voted to take no action. Thus, the monopoly remains intact. A Medical Quality Assurance Board spokesman told REASON that there is virtually no chance of any liberalization of the restriction on alternative health practitioners "in the foreseeable future."

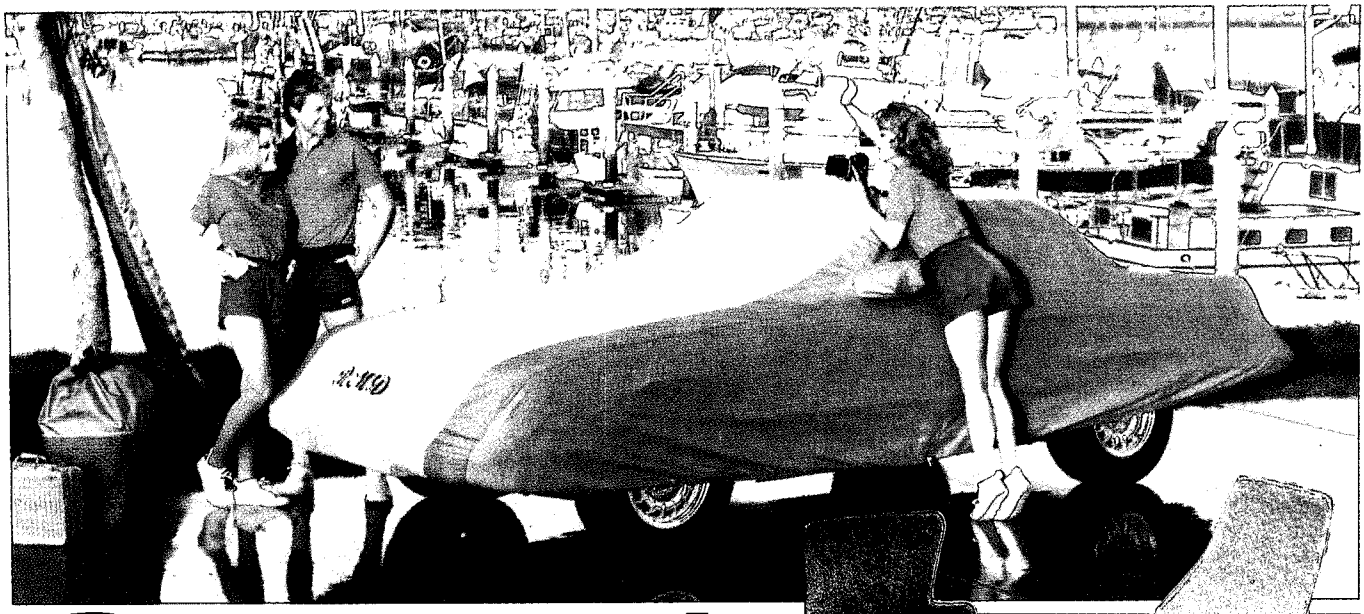
MORE BAD MARKS FOR WEAPONS TESTING

In our April 1982 issue, military analyst Dina Rasor detailed how the Pentagon rigs test procedures and results to assure favorable outcomes in testing new weapons ("Fighting with Failures"). A recent GAO study concurs with REASON's investigations: the General Accounting Office found that $33 billion worth of new weapons the Pentagon already has in production are insufficiently tested. The GAO auditors uncovered serious testing inadequacies



in 10 major weapons, including new systems for the B-52 bomber and the Phoenix and Patriot missiles. The GAO report indicted the Defense Department's weapons-development system, which places both development and testing under the purview of the same office.

So evident is this built-in conflict of interest that Sen. David Pryor (D-Ark.)—who first became aware of the issue through Rasor's exposé in REASON—and 16 other senators have introduced a bill to establish a testing and review office in the Pentagon, independent of its development and buying offices. A small test-review office now exists in the Defense bureaucracy, but it is a token entity with no authority. Endorsing the proposed separate testing and review office, the editors of the *New York Times* wrote in a July editorial that the Pentagon needs "an independent judge to compel rejection of armor-plated turkeys."



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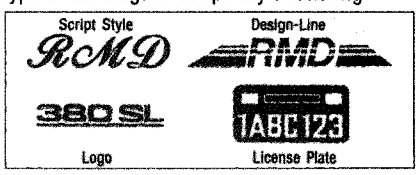

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MAY 1983 CAR and DRIVER TEST

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If you keep up with magazine tests, you know that ESCORT does more than just outperform other radar detectors. In its most recent evaluation, Car and Driver concluded: *"The Escort radar detector is clearly the leader in the field in value, customer service, and performance..."* But performance, as measured by warning distance, is *not* the new breakthrough. After all, ESCORT has been beating all comers since its introduction in 1978.

Now There's More To It

While long detection range is obviously essential it does *nothing* to solve a problem that has cropped up in the last year. In fact, increasing range by itself just makes the problem worse. If you already have a good superheterodyne unit, you know what we mean. A new generation of imported detector *transmits* radar signals, and can set off your unit as far as a mile away. The longer the range of your unit, the farther away you find them. As Car and Driver pointed out last November: *"Since there are far more detectors on the road than police radar units, interference... could become a genuine nuisance."*

Low Level Contamination

At first it was just an irritation. At least ESCORT owners had a way of distinguishing the polluters from the real thing. Our unique audio warning differentiates between the two police radar bands: it "beeps" for X band and "braps" for K band. The polluters' trashy signals triggered both warnings at once, and made a new sound—different than the sounds for police radar. (The rest of the industry didn't even know there was a new problem. Their detectors were making the same sounds as always, just more often.)

Radar Epidemic

As more and more of the "polluting detectors" hit the streets, the problem became more serious. If one of the "polluters" is approaching in an oncoming lane, the alarm from your detector is brief. But if it's traveling the same direction as you, your alarm can go on for *miles*. And the offending detector doesn't have to be in the car right next to yours. It can be ahead or behind, and up to a mile away. A very serious problem indeed.

Pollution Clean-Up

The problem required an entirely new approach. Examining the interference from these imports, our engineers discovered a subtle difference between their signals and those of police radar, even though they were on the same frequency. The solution, then, was to design new circuitry that would reject the pollution while—and this was the hard part—maintaining ESCORT's industry-leading response to pulsed and instant-on radar. We named it ST/O/P™ (STatistical Operations Processor), and it consists of a CMOS digital processor with built-in memory. ST/O/P is not simple, and it's not cheap. But it is, in our opinion, the most important breakthrough in radar detection since superheterodyne. Car and Driver would seem to agree: *"Now, all the world's Radio Shack detectors can hum right by your car in full microwave broadcast mode and your Escort will sit on your dash as politely and silently as a canary-fed cat."*

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